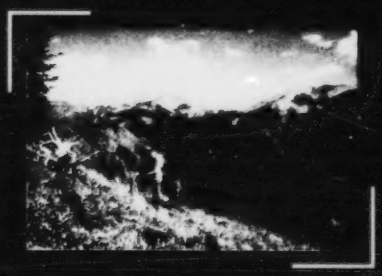
Job Protection Commission



1999 Annual Report

BRITISH COLUMBIA

Ministry of Employment and Investment

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1999 Annual Report

Job Protection Commission

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The Honourable Garde Gardom

Lieutenant Governor

Province of B.C.

May It Please Your Honour:

I respectfully submit to you the annual report of the Job Protection Commission for the period January 1, 1999 to December 31, 1999.

Tim Stevenson

Minister of Employment and Investment

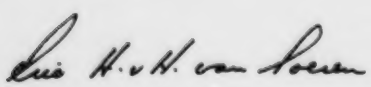
The Honourable Tim Stevenson

Minister of Employment and Investment

Province of B.C.

Sir:

I am pleased to submit my report of the activities of the Job Protection Commission for the period January 1, 1999 to December 31, 1999.



Eric van Soeren

Job Protection Commissioner

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Report of the Job Protection Commissioner

The Job Protection Commission (JPC) experienced another very active year in 1999. The number of companies helped was less than the previous two years, but the number of employees assisted increased. The involvement was again broadly spread among a variety of industries. We worked with companies in logging, pulp production, saw milling, value added forest products, mining, manufacturing, and fish and agricultural products processing.

Much of the JPC activity in the mining industry was driven by continuing low commodity prices for metals such as gold and copper. In the forest industry the primary causes of difficulty were low pulp prices in the beginning of the year, continuing weakness in Asian lumber markets, and restricted access to U.S. markets because of the Softwood Lumber Agreement.

The plans we developed often helped companies increase revenues or reduce their cash costs of operations. In other cases, we helped companies obtain new loans or deferrals from both private and public sector creditors. We were also able to facilitate participation by municipalities, the federal and provincial governments, and several union and non-union work forces.

The intent of our assistance was to help the companies bridge through to a time when prices and market access improve. The result of the Economic Plans we developed was that jobs were maintained at two mines and at 27 companies that were involved at various levels with the forest industry.

JPC Economic or Mediation Plans require the participation of as many of the material stakeholders as possible to make them successful. This year, many of the plans did not require incremental financial commitments from stakeholders. Rather, they called for risk sharing agreements and flexibility on the part of government, labour and industry participants to facilitate economic activity that could not have happened without those Economic Plans. Where new funding or deferrals of existing debt were required, the private sector provided 48 percent, the province provided 40 percent, and labour provided nine percent of those financial commitments. Over the life of the JPC the private sector component has made up approximately 66 percent of the financial commitments of JPC plans, with the province often adding the incremental assistance to allow a deal to be completed.

The JPC continues to enjoy exceptional cooperation from the many federal, provincial, municipal and private sector organizations with which we interact on a daily basis. As a result, during 1999 we were able to develop and bring to completion 31 Economic Plans, provide counselling services to 23 companies, and complete two special projects. In total this has helped to maintain 7,466 jobs in B.C. during 1999.

I want to close by acknowledging and thanking the full and part time JPC staff of Ed Sorel, Denis Mac Aree, Art Fink, Janet Friesen, John Auld and Don Alder, for their hard work and perseverance during the year. They have made it possible for the Commission to continue to carry out its mandate of protecting jobs in B.C. by helping viable but financially troubled companies restructure rather than close down.

ACTIVITIES SUMMARY

During calendar 1999, the Commission received 103 enquiries (354 in 1998; 233 in 1997). These resulted in 56 projects/cases, with which the Commission helped maintain 7,466 jobs (5,543 in 1998; 6,860 in 1997) in the province through 31 authorized Economic Plans, counselling services to 23 companies, and two special projects. This resulted in 4,008 jobs saved (2,223 in 1998; in 3,758 in 1997). The distinction between jobs saved and jobs maintained is that the jobs saved number only includes companies for which a formal Economic or Mediation Plan was developed, or which were part of a special funding project delivered by the JPC. The jobs maintained number includes the jobs saved plus jobs in companies which received counselling or business advice that resulted in jobs being maintained at those companies.

Since its inception in March 1991, the Commission has received 1,520 enquiries. These led to 963 projects/cases, approximately 58,236 jobs maintained and 20,756 jobs saved. In total, the Commission has dealt with businesses involving 79,344 jobs.

	Jobs
Commission authorized plans	19,386
Counselling	25,044
Special Projects	13,806
	58,236

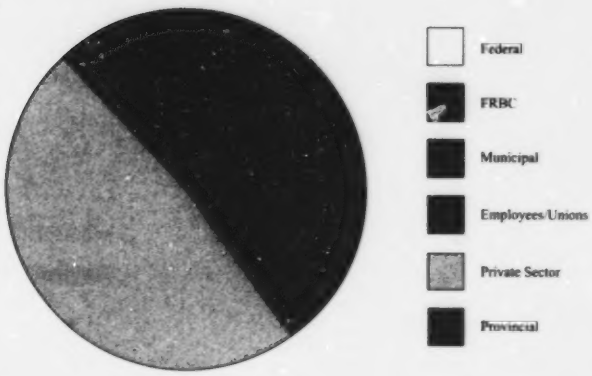
The 544 businesses, organizations and individuals that approached the Commission, but did not proceed to counselling, special project work, Mediation or Economic Plans, involved another 21,108 jobs.

	Jobs
Project/case files	58,236
General enquiry files	21,108
	79,344

The following pie charts represent funding allocations by the various contributors to economic and mediation plans for 1999 and the period of 1991 to 1999:

Financial Participation by Sector in JPC Plans

During Calendar 1999

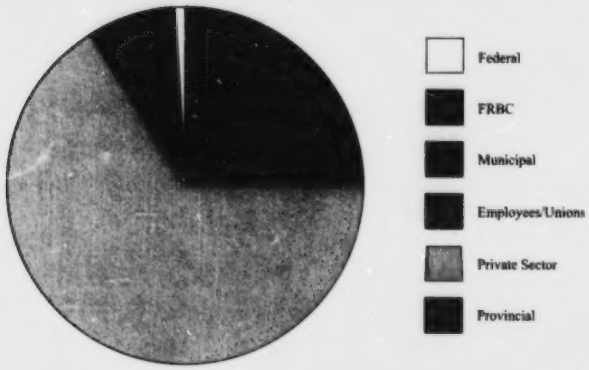


1 = PROVINCIAL	2 = FEDERAL	3 = MUNICIPAL
4 = PRIVATE SECTOR	5 = FRBC	6 = EMPLOYEES/UNIONS

1	PROVINCIAL	40%
2	PRIVATE SECTOR	48%
3	EMPLOYEES/UNIONS	9%
4	MUNICIPAL	2%
5	FRBC	1%
6	FEDERAL	0%
TOTAL		**100%**

Financial Participation by Sector in JPC Plans

From 1991 - 1999



1 = PROVINCIAL	2 = FEDERAL	3 = MUNICIPAL
4 = PRIVATE SECTOR	5 = FRBC	6 = EMPLOYEES/UNIONS

1	PRIVATE SECTOR	66%
2	PROVINCIAL	25%
3	FRBC	4%
4	MUNICIPAL	2%
5	EMPLOYEES/UNIONS	2%
6	FEDERAL	1%
TOTAL		**100%**

EXPENDITURE STATEMENT

Contracted professional services	$850,784
Cost recoveries	(161,042)
Salaries	136,858
Employee benefits	27,191
Travel expenses	6,687
Information services - operating	19,875
Office and business expenses	16,738
Asset acquisition - information systems	6,541
Total	**$903,632**

PROFESSIONAL SERVICES SUMMARY

Consultant	Company
Arthur Fink	Commission Office - Project Analyst
D. & B. Alder and Associates Ltd.	Commission Office - Project Analyst
Don Jantzen	Highland Valley Copper Corp.
Eric van Soeren	Commission Office - Job Protection Commissioner
Ernst & Young Corporate Finance Inc.	Quinsam Coal Corp.
Erythana Ventures Corp.	Methanex Corp.
G.S. Gislason & Associates Ltd.	Special Project - Early Retirement Program for B.C. Salmon Industry Workers
Ganhada Management Group	Point Hope Shipyard Co. Ltd.

Consultant	Company
Inntegrated Hospitality Management	Halcyon Health Spa Ltd. Telegraph Cove Resorts Ltd.
Janet Friesen	Commission Office - Office Manager
Jim McWilliams	ABEDA Wood Products Ltd.
Lucien Lieberman	Ziedler Forest Products Ltd.
Lynnpeaks Consulting Ltd.	Mount Seymour Resorts Ltd.
MCSI Consulting Group	Chai-Na-Ta Corp. Hastings Park - Pacific Racing Association
Mel-West Consulting	Looker Industries Ltd. and Roofteck Shake & Shingle Ltd. Northern Shuswap Development Corp.
Nicholas Crisp & Associates	Loveless Logging Ltd. Seaward Mechanical Ltd. and Celista Creek Planer Mills Ltd. and Longridge Wood Sort Ltd. Simpcw Development Co. Ltd.
Pareto International	J & L Beef Ltd.
Peter Drake and Associates	Kispiox Forest Products Ltd.
R.E. Taylor & Associates Ltd.	Synergy Pacific Wood Solutions Inc.
Rescan Engineering Ltd.	Highland Valley Copper Corp.
Steve Potter	Takla Development Corp.
TFC Consulting Ltd.	Ocean Blue Cedar Products Ltd.
Triwest Consulting	Sound Structures & Supply Ltd.

SPECIAL PROJECTS - GENERAL

Early Retirement Program for B.C. Salmon Industry Workers

In January 1999 the Government of Canada and the Province of B.C. requested that the JPC undertake an analysis of a proposed early retirement program for salmon fisheries workers. The analysis, which was prepared for the Commission by G.S. Gislason & Associates Ltd., and jointly funded by the two governments, built upon the recommendations and estimates of job loss and potential early retirement uptake contained in the 1998 JPC Report, *Fishing For Money*. It analyzed impacts of the recent changes in the salmon fisheries workforce on the number of people eligible for an early retirement program.

The 1999 study was titled *An Early Retirement Program for BC Salmon Industry Workers - Initial Direction*. It provided information for use by the two governments that provided an overview of the salmon fishing industry, the eligible industry sectors, other eligibility criteria, worker profiles, and anticipated program take-up. The study will be used as a resource for subsequent policy decisions on older B.C. Fishery worker adjustment.

Hastings Park - Pacific Racing Association

For many years, the Pacific Racing Association (PRA) has been faced with falling gate receipts and proceeds from betting. Efforts were made to strengthen revenue levels by encouraging improved race quality through the maintenance of purse levels for the winning horses and by promoting simulcast wagering. In spite of steps taken, the downward revenue trend continued.

In October 1999 the Ministry of Employment and Investment, which was responsible for the Gaming Policy Secretariat, requested that the JPC assess the viability of the PRA and review the repayment ability of the PRA with respect to two outstanding loans from the Province. This request followed the completion of a report prepared for the Province by PricewaterhouseCoopers, regarding the gaming industry in B.C.

MCSI Consulting Services Inc. was appointed to review the PRA situation. Recommendations were made by the consultant for the return of tax funds from betting now going to general revenue, to provide a modest improvement in the potential profit position. A recommendation to restructure the repayment terms of the Provincial loans was also made. These recommendations were forwarded to the Gaming Policy Secretariat for consideration.

APPROVALS COMPLETED

Economic Plans

- Boyle and Dean Logging Ltd
- Cattermole Timber
- Coulson Forest Products Ltd. and
  C. Mokko Manufacturing Ltd.
- Fibreco Pulp Mill
- Franklin Forest Products Ltd.
- Greystone Resources Ltd.
- Gwa'Sala-Nakwaxda'xs Timber Corp.
- Hayes Forest Services Ltd.
- Highland Valley Copper Corp. #1
- Highland Valley Copper Corp. #2
- Husby Forest Products Ltd.
- International Forest Products Ltd.
- J.D. Mills Ltd.
- Louisiana-Pacific Corp.
- Meeker Cedar Products (1967) Ltd. and
  West Coast Forest Products Ltd.
- Murch Timber Ltd.
- P.G. Specialty Wood Products Ltd. and
  Pacific Precision Wood Products Ltd.
- Roy International Trading Inc.
- S.W.C. Holdings Ltd.
- Seaward Mechanical Ltd. and
  Celista Creek Planer Mills Ltd. and
  Longridge Wood Sort Ltd.
- Seel Forest Products Ltd.
- Sitkana Timber Ltd.
- Skeena Cellulose Inc.
- Terminal Forest Products Ltd.
- Thompson Creek Mining Ltd.
- Thomson Industries Ltd.
- Timfor Contractors Ltd. #1
- Timfor Contractors Ltd. #2
- Tolsons Enterprises Ltd.
- West Fraser Timber Co. Ltd.
- Woodland Windows Ltd.

Boyle and Dean Logging Ltd.

Boyle and Dean Logging Ltd. is part of the Clarke Group of companies, the President of which is Fred Clarke. The company, which employs 15, holds Forest Licence A16838 in the North Coast Forest District and has been operating in a number of drainages in the Prince Rupert area since 1988. The Annual Allowable Cut (AAC) is 20,156 m^3, however, due to high costs in operating in this remote region combined with low domestic log values, the company has been unable to harvest any wood during the cut control period which commenced in 1998. As a result the company had to commence harvesting or it would be unable to meet its five year cut control requirements. Failure to meet the standard would likely result in a reduction in its AAC.

The geographic location of the licence restricted the time that the company could conduct harvesting. The company proposed to harvest 39,496 m^3 from cutting permits 20 and 21 in 1999. Based upon current domestic log prices, the company would sustain extreme losses if it sold its output solely into that market. The proposal was that the company would be permitted to sell 19,748 m^3 into the export market (50 percent) while the remaining 19,748 m^3 (50 percent) would be available for domestic consumption. This would reduce the company's estimated accounting operating loss to a level the company could absorb and remain viable.

The purpose of this Economic Plan was to address the economic dilemma that the company was facing, while generating economic activity in the forest sector.

Components of Plan:

1. Ministry of Forests, in order to stimulate logging activity and to increase the supply of logs for domestic mills, considered the approval of one or more ministerial orders for the export of a maximum of 50 percent of the timber harvested from the forest licence and cutting permits, with 50 percent going to the domestic market. The exports would be authorized only for the period between the authorization of this plan and December 31, 1999, if the minister or his designate was satisfied that the timber from those lots was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. Ministry of Forests also required payment of a fee in lieu of manufacturing of \$1/m^3 on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. Boyle and Dean Logging Ltd. agreed to apply best efforts to entirely harvest timber from their forest licence and cutting permits by December 31, 1999 and offered at least 50 percent of the timber harvested from those cutting

permits to the domestic industry, and to maintain a level of employment consistent with the planned personnel requirements. It also agreed to keep its stumpage account current at all times, and provide monthly employment statistics for its forest licence to the JPC.

3. The Truck Loggers' Association endorsed the plan.

Date Authorized: August 4, 1999
Date in Force and Effect: August 18, 1999

Cattermole Timber

Cattermole Timber (CT) is a long established IWA logging operation situated in Chilliwack. The company is a market logger and holds a forest licence in the Fraser Timber Supply Area with a current Annual Allowable Cut (AAC) of 127,538 m^3. As with many forest companies, CT faced a dilemma in 1998 as it proved to be uneconomical to harvest. However, the business was compelled to adhere to its minimum cut control requirements. As a result, the operation harvested approximately 84,000 m^3 last year and sustained a large accounting loss for the 11 months ended March 31, 1999.

George Mohammed, a B.C. resident, owns CT and was faced with the prospect of cutting a further 54,000 m^3 in 1999 to live up to the minimum cut control requirements. This projected to a loss similar to that suffered previously. The business came forward with a proposition wherein it would harvest 134,500 m^3 in 1999 if it could be permitted to export up to 45,783 m^3 of its fir and hembal (hemlock/balsam species group). This would equate to 34 percent of the fibre that it would harvest in 1999. As a result, 88,713 m^3 (66 percent) of the wood would be available to the domestic marketplace and up to 120 people would be employed by CT over the course of the harvest. At this volume, without the ability to export, CT would incur even higher losses. With the export of 34 percent (35 percent of the fir and 45 percent of the hembal) and with a fee in lieu of manufacturing set at \$1/m^3, CT estimated its losses would be reduced to a manageable level. From the increased level of harvest, the Province would receive approximately \$1 million in stumpage revenue, as opposed to \$300,000 if only
54,000 m^3 were to be harvested.

The purpose of this Economic Plan was to address the economic problem confronting the business while generating economic activity and employment in the forest sector.

Components of the Plan:

1. Ministry of Forests, in order to stimulate logging activity and to increase the supply of logs for domestic mills, considered the approval of one or more ministerial orders for the export of a maximum of 34 percent of the timber harvested from the forest licence, with 66 percent going to the domestic market. The exports would only be permitted for the period between the authorization of this plan and December 31, 1999, if the minister or his designate was satisfied that the fibre from the forest licence was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. Ministry of Forests also required payment of a fee in lieu of manufacturing of $1/m^3$ on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. Cattermole Timber agreed to apply best efforts to harvest a minimum of 134,500 m^3 of their forest licence in 1999 and to offer at least 66 percent of the timber harvested from that tenure to the domestic industry and to maintain a level of employment consistent with historical manning requirements in harvesting the forest licence during 1999. It agreed to keep its stumpage account current at all times, and to provide monthly employment statistics from its forest licence to the JPC.

Date Authorized: July 23, 1999
Date in Force and Effect: July 29, 1999

Coulson Forest Products Ltd. and C. Mokko Manufacturing Ltd.

The Coulson Group of companies encompass a number of activities related to the forest industry. These include conventional and helicopter logging, a sawmill, a remanufacturing facility, a fleet of logging helicopters, a helicopter maintenance facility and several joint ventures with First Nations.

C. Mokko Manufacturing Ltd. (CMM) a subsidiary company of Coulson Forest Products Ltd. (Coulson) had four areas, Aston Creek, Matchlee Bay, Jacklan Creek and Lutes Creek, that they were unable to harvest due to the losses they would incur. The four areas encompassed 85,833 m^3 which represented the balance of Timber Sale Licence A34814, and this could only be harvested by helicopter. In addition, Coulson had until recent fruitful discussions with the Ministry of Forests, found it uneconomic to harvest under its Forest Licence A19234 - West Toquart CP 36 which entails 26,530 m^3.

The result was that no logging was undertaken for three months, and as a consequence the manufacturing facility had not had its own wood since September 1999. In the interim, to keep the mill operating, the company "borrowed" fibre from MacMillan Bloedel (MB) on the understanding that the volume would be returned when Coulson and CMM resumed their

logging. MB had put Coulson on written notice that it would not be able to provide fibre under the arrangement beyond December 1, 1999 unless it could be demonstrated that Coulson would be able to resume harvesting.

As a result of the companies not being able to log economically, approximately 100 loggers remained off work and a further 140 people at the sawmill faced the possibility of being laid off due to lack of fibre. The unemployment of these 240 workers would ultimately result in a domino effect and result in a further layoff of 135 direct jobs in related Coulson Group companies. The end result would be a total of 375 unemployed workers for an indefinite period of time.

Using estimated log values based on historical data and the projected logging costs for an efficient operator, CMM would lose an amount which would frustrate harvesting the 85,833 m^3 within Timber Sale Licence A34814.

In order to bring the losses down to a manageable amount, Coulson requested that the stumpage on these four areas be set at a rate which, while it would still result in a loss for the company, was one that the firm could sustain and still continue operating.

By setting a rate of \$13.24/m^3, the operating loss was reduced and the loggers and mill workers' jobs would be secured for the next six to seven months.

The helicopter logging was at elevation and subject to closure due to snow and winter weather. To cover those eventualities, the setting of fixed stumpage rates was for a period sufficient to complete the harvest of Timber Sale Licence A34814.

Components of Plan:

1. Ministry of Forests, pursuant to the *Job Protection Act*, established stumpage at the fixed rate of \$13.24/m^3 for C. Mokko Manufacturing Ltd. on Timber Sale Licence A34814, blocks Q, P, U and N for a 12 month period from the date of this Economic Plan.

2. Coulson Forest Products Ltd. agreed to continue operating its sawmill and maintain its current level of employment until June 30, 2000, and to keep its future stumpage obligations current.

3. C. Mokko Manufacturing Ltd. endorsed the plan.

4. IWA Canada Local 1 - 85 endorsed the plan.

Date Authorized: November 24, 1999
Date in Force and Effect: November 29, 1999

Fibreco Pulp Mill

The Fibreco Pulp Mill was built in the period 1986 to 1988, with an initial investment of $135 million, by a joint venture of wood chip producers. In 1991, the Slocan Group acquired an 80 percent interest in the mill as part of a restructuring. The remaining 20 percent was acquired by Slocan for $1 when the chip supply agreement with the former joint venture partners expired. The mill produces a range of grades of softwood bleached-chemi-thermo-mechanical pulps (BCTMP) from purchased chips and has a capacity of 230/240,000 air-dried metric tonnes (ADMT) per year. The current production would total approximately 190,000 metric tonnes per year. The process is highly efficient in its use of wood fibre compared to the Kraft pulp process. It incorporates hydrogen peroxide for bleaching which totally eliminates chlorine and chlorine compounds from the process.

Fibreco faced financial difficulties since inception. In 1992, the mill participated in an Economic Plan through the JPC. The plan saw cost reductions or deferrals from a number of parties. The bank, government ministries, Crown corporations and joint venture partners (including Slocan) provided support through financial assistance and/or guarantees. Slocan significantly increased their involvement with Fibreco during this period.

Fibreco Export Inc., the former joint venture partner representing the minority participants, was by agreement supplying the mill with wood chips at a discounted rate up until December 31, 1998. Since then, Slocan has been supplying chips at the current market rate, from its Fort Nelson mill and other mills in the area.

While on a comparative basis the operations were cost competitive, cash flow losses in 1999 were projected at approximately $4.8 million annually. The problems related primarily to poor demand and pricing, in part due to the fact that Asian papermakers were the primary markets for BCTMP.

Because of depressed market conditions and Slocan's financial position, the parent firm was unable to absorb Fibreco's losses. BCTMP was not a core product for the Slocan Group. Closure of the facility would have no negative effects on Slocan's other operations. Closure of the Fibreco operation would actually provide some strengthening of Slocan's cash position.

In December 1998, the JPC was approached to help the mill work out its current and anticipated financial difficulties in an effort to keep the mill open. A consultant, H & W Saunders Ltd., was hired to analyze the operations and financial viability of the mill, and to make recommendations regarding alternatives that might enhance its viability.

The consultant concluded that the operation was well run and highly competitive with other world producers of BCTMP. The problems were primarily due to weak pricing and demand for its products. In the long term, demand in Asian markets was anticipated to grow and higher pulp prices would be necessary to provide their needed fibre. B.C. Rail was already

providing acceptable rates. Chip costs could not be reduced below market without undue hardship. In the short term, it would be necessary to lower or defer costs of electric power, property taxes, and wages and benefits.

A Mill Committee comprised of a mix of staff and management were aware of the circumstance and of the proposal, which would involve reduction of up to 20 percent in hours worked in the next two years.

The purpose of this Economic Plan was to define what commitments were necessary from the various stakeholders to enable the Fibreco Mill to continue operating while pulp prices were low.

Components of the Plan:

1. The District of Taylor agreed to defer any amount of annual property taxes in excess of $650,000, for each of 1999 and 2000 with repayment of the deferred principal portion amount in 36 equal monthly installments commencing January 1, 2001. Interest to be charged at the prescribed rate for overdue taxes but no penalties for late payment within the terms of this deferment would be assessed. If any of the scheduled payments were not received within 30 days of their respective due dates the entire amount of all deferred taxes would immediately become due and owing, and added to unpaid taxes as taxes in arrears, subject to all the usual penalties, interest and remedies.

2. The City of Fort St. John acknowledged and agreed to concessions by way of property tax deferment being extended by the District of Taylor.

3. Ministry of Finance and Corporate Relations agreed to defer the portion of the school tax levied by the District of Taylor for the Fibreco Mill in 1999 and 2000 resulting from the deferral described above, for annual property taxes in excess of $650,000. Interest charges would be levied at the prescribed rate for overdue taxes, but no penalties would be assessed. Repayment of the principal portion of the deferred school taxes would be made by 36 equal monthly installments commencing January 1, 2001.

4. B.C. Hydro agreed to provide Fibreco Pulp Mill with a deferral of up to 50 percent in electrical costs for power used in the operation of the mill, effective January 1, 1999, for a period of up to two years based on key cost and sale price variables. It agreed that the interest charges on deferred electrical costs would be accrued monthly at a rate equivalent to the average CIBC commercial prime rate for the period, and that any recapture of funds, as a result of increased cash flow due to changes in the variables, would be based on a similar formula to that used to calculate any deferral.

   Repayment would be on the basis of a 25 percent or 50 percent premium in electric power cost as determined on a calendar quarterly until all deferred amounts were repaid.

5. The Fibreco Mill Committee recognized that the operations might be closed for approximately 20 percent per year over the next two years.

6. Slocan Forest Products Ltd. - Fibreco Pulp Mill Division committed to the calculation of the deferment of payment for electric power consumed and for the calculation of the repayment of any deferred amount, and it agreed that the obligation to repay any deferred balance would survive the expiration date of this Economic Plan. It committed to the repayment schedule for any deferred property taxes, and recognized that in the event the Fibreco Mill was sold that the Economic Plan and its obligations would continue to be in effect.

Date Authorized: February 8, 1999
Date in Force and Effect: February 26, 1999

Franklin Forest Products Ltd.

Franklin Forest Products Ltd. (Franklin) approached the JPC in 1993 with a two pronged plan. One component called for Franklin to acquire and upgrade a dormant breakdown mill outside of Port Alberni. The company was incorporated in 1993 for this purpose. The second component entailed Franklin making an arrangement through interested parties to get access to approximately 30,000 m^3 per annum of marginally economic timber within TFL 44. The motivating thought behind this latter initiative was that MacMillan Bloedel (MB), due to higher harvesting costs, would be unlikely to harvest these stands in the foreseeable future. All of the stakeholders agreed that the concept of harvesting marginally economic timber and generating additional jobs in the Port Alberni area were the explicit aims of the Mediation Plan.

The fibre agreement called for Franklin and MB to jointly identify areas within Tree Farm Licence (TFL) 44 which contained marginally economic timber. These areas were to be referred to the District Manager of the Ministry of Forests in Port Alberni for either approval or rejection as complying with the definition of marginally economic timber. Under this arrangement, MB undertook to allow Franklin to harvest approximately 30,000 m^3 of wood each year under cutting permits issued to MB under TFL 44.

Shortly into the agreement, it became evident that the stumpage appraisal system was unable to deal equitably with operations whose basket of fibre was consistently marginally economic. The stumpage system is based on average values and costs. Most operators have access to a cross section of fibre. However, the marginally economic stands in which Franklin operated meant that it was consistently harvesting trees at the lower end of the value spectrum. This had been an ongoing concern for Franklin over the previous five years, and was addressed through a temporary fix in the Economic Plan of June 2, 1995.

Over the past three and a half years, numerous discussions took place between Franklin, representatives of Ministry of Forests and the JPC in an attempt to see that the goals of the original Mediation Plan were not being frustrated through the stumpage being assessed to the low bore wood. The need to bring a satisfactory resolution was increased by the interest expressed by the Tseshaht First Nation (Tseshaht) to assume an equity position in Franklin. The level of stumpage being assessed threatened the very existence of Franklin and hopes for expanding the existing business relationship with the Tseshaht. The existing dealings included the Tseshaht loaning funds previously to Franklin to assist with mill upgrades. As well, the Tseshaht and Franklin are partners in Equis Forest Products Ltd. which was awarded 50 percent of the volume within the "Community Forest" licence in Port Alberni.

Ministry of Forests reviewed the situation with the goal of finding a technical answer within the existing stumpage appraisal system to reduce the stumpage costs of Franklin in view of the poor wood in which it consistently operated. The conclusion by Ministry of Forests staff was that there was no technical solution to the problem.

The purpose of this Economic Plan was to deal with the stumpage of the next four settings that Franklin would be harvesting as well as its last harvest area. This would cover the company's logging for the next six months. The estimated average value of the wood from the settings was $80.35/m^3$ and the projected average logging costs were $75.00/m^3$. The residual amount would be $5.35/m^3$.

The breakdown mill, employing approximately 30 people, steadily improved its performance over the past five years, and a good working relationship developed between the company and MB with Franklin doing custom cutting for the major forest company. The Franklin mill provided employment opportunities for young workers in the area, including some from the Tseshaht First Nation, however, unless the stumpage problem on the marginally economic wood could be addressed, the prospects for the sawmill were poor.

Components of Plan:

1. Ministry of Forests agreed to prepare an Order in Council under Section 105(7) of the *Forest Act* for Franklin Forest Products Ltd. on settings 6706 (Rossander), 7600 (Darling 1300), 8505 (Calamity Lake) and 8551 (Sugsaw) to establish stumpage at the rate of $5.35/m^3$ until December 31, 1999, subject to the issuance of appropriate cutting permits, and take it forward to Cabinet with a favourable ministerial recommendation for approval.

2. MacMillan Bloedel agreed to increase, commencing January 1, 1999, the existing timber supply contract with Franklin in annual harvest terms from 30,000m^3 to 40,000 m^3 of marginally economic wood under cutting permits issued on TFL 44.

3. Franklin Forest Products Ltd. agreed to transfer 15 percent of its equity to the Tseshaht First Nation in consideration for its assistance in securing the additional 10,000 m^3 of marginally economic wood. It also agreed to pay any future stumpage as it became due and payable, and, as a minimum, to maintain the mill workforce at the existing level.

4. Tseshaht First Nation endorsed the plan.

5. IWA Canada Local 1 - 85 endorsed the plan.

Date Authorized: March 3, 1999
Date in Force and Effect: April 16, 1999

Greystone Resources Ltd.

Greystone Resources Ltd. (GRL) is a family owned company based in Langley. Ray Halverson, the President of GRL, has been involved in logging for 50 years. In 1993, GRL purchased 320 acres on the Oeanda River in the Queen Charlotte Islands. It was acquired for the purpose of logging the property. Given its proximity to the Naikoon Park, the Ministry of Environment, Lands and Parks requested that GRL not log the property as the possibility of a land swap was investigated. In May 1998, the exchange was completed with GRL receiving three lots.

In the meantime, the domestic log market peaked and then weakened, which impacted negatively on the ability of GRL to harvest the profile. In 1998, the company did harvest 24,747 m^3 of the total 68,305 m^3 within the three lots. This harvest was primarily cedar as it remained profitable to do so. The company proposed that it be permitted to sell 15,151 m^3 into the export market (35 percent) while the remaining 28,137 m^3 (65 percent) would be available for domestic consumption. This would reduce the company's accounting operating loss to acceptable levels on the incremental volume. The company estimated that it would take six months to complete the harvest, during which time it would employ up to 19 people in an area of the province where jobs in the forest industry had been shrinking.

The purpose of this Economic Plan was to address the economic dilemma that the company was facing while generating economic activity in the forest sector.

Components of the Plan:

1. Ministry of Forests, in order to stimulate logging activity and to increase the supply of logs for domestic mills, considered the approval of one or more ministerial orders for the export of a maximum of 35 percent of the timber harvested from the three lots in the Queen Charlotte Islands, with 65 percent going to the domestic market. The exports would be authorized only for the period between the authorization of this Plan and August 31, 2000, if the minister or his designate was satisfied that the timber from those lots was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. Ministry of Forests required a payment of a fee in lieu of manufacturing of $1/m^3$ on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. Greystone Resources Ltd. agreed to apply best efforts to entirely harvest timber from its three lots in the Queen Charlotte Islands by August 31, 2000, and to offer at least 65 percent of the timber harvested from those cutting permits to the domestic industry and to maintain a level of employment consistent with the planned personnel requirements. It agreed to provide monthly employment statistics for the three lots in the Queen Charlotte Islands to the JPC.

Date Authorized: July 23, 1999
Date in Force and Effect: July 29, 1999

Gwa'Sala-Nakwaxda'xs Timber Corporation

Gwa'Sala-'Nakwaxda'xw Timber Corporation (GTC) is a joint venture business owned 51 percent by the Gwa'Sala-'Nakwaxda'xw First Nation and 49 percent by Interpac Resources Ltd. (part of the Clarke Group of Companies). GTC employs approximately 35 people in the Port Hardy area. In July 1997, the company was awarded forest licence A55510; a five year non-replaceable licence with an Annual Allowable Cut (AAC) of 47,600 m^3. High operating costs in this remote region combined with low domestic log values frustrated logging efforts and by 1999, no harvesting had been undertaken. As a result, one of the prime benefits that were hoped to accrue from the licence; i.e. the employment of band members in harvesting activities had not occurred. A significant amount of training for this activity was undertaken with the benefit of Forest Renewal B.C. funding.

The geographic location of the licence restricted the time that the company could conduct harvesting. The company proposed to harvest 85,456 m^3 from two cutting permits over five months. Based upon current domestic log prices, the company would lose an amount it could not absorb if it sold its output solely into that market. The proposal was that the company would be permitted to sell 42,551 m^3 into the export market (49.8 percent) while the remaining 42,904 m^3

(50.2 percent) would be available for domestic consumption. This would reduce the company's estimated accounting operating loss to a level that could be absorbed without threatening the future of the business.

If the cost of the harvest could be reduced through the exporting of a portion of the logs, a significant number of band members would finally become engaged in the harvest. This would prove to be a socio-economic benefit for the community. During the course of the harvest, the Province would receive about $280,000 in stumpage which if the harvest had not proceeded would not occur.

The purpose of this Economic Plan was to address the economic dilemma that this aboriginal company was facing while generating economic activity in the forest sector for band members.

Components of Plan:

1. Ministry of Forests, in order to stimulate logging activity and to increase the supply of logs for domestic mills, considered the approval of one or more ministerial orders for the export of a maximum of 49.8 percent of the timber harvested from the forest licence and cutting, with 50.2 percent going to the domestic market. The exports would be authorized only for the period between the authorization of this plan and December 31, 1999, if the Minister or his designate was satisfied that the timber from those lots was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. Ministry of Forests required a payment of a fee in lieu of manufacturing of $1/m^3$ on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. Gwa'Sala-'Nakwaxda'xw Timber Corporation agreed to apply best efforts to entirely harvest timber from its forest licence and cutting permits by December 31, 1999 and to offer at least 50.2 percent of the timber harvested from those cutting permits to the domestic industry, and to maintain a level of employment consistent with the planned personnel requirements. It also agreed to keep its stumpage account current at all times; and provide monthly employment statistics for its forest licence to the JPC.

3. The Truck Loggers' Association endorsed the plan.

Date Authorized: August 4, 1999
Date in Force and Effect: August 18, 1999

Hayes Forest Services Ltd.

Hayes Forest Services Ltd. (Hayes) is one of the larger independent market loggers in B.C., employing approximately 375 people in the Cobble Hill area. Apart from its management staff, all of the employees are members of the IWA. The company provides a full range of services to the forest industry including engineering, road construction, full phase conventional harvesting and helicopter logging.

Problems in the industry, poor or limited markets and increased costs impacted negatively on Hayes by 1999. The company had contract logging agreements with MacMillan Bloedel, Timber West, Western Forest Products and Interfor. In response to recent economic conditions, these major forest companies had reduced their harvest totals which resulted in contract work for Hayes falling to 364,767 m^3 in 1998 compared to 804,011 m^3 in 1997. In addition to its contract logging work, Hayes held its own business timber sale and was the agent (harvesting and sale of the wood) on three other small business timber sales for two companies in which it did not hold any financial interest. Those category one sales were harvested by helicopter and provided a total annual harvest potential of 57,469 m^3. Unfortunately, all three companies (Hayes - TSL A51869, 476828 BC Ltd. - TSL A48739 and TSL A51426 and 3891 Investments Ltd. - TSL A47566) elected fixed stumpage rates on those sales in an effort to place some certainty into the cost structure. The subsequent drop in log prices, combined with the higher costs involved in heli logging, and fixed stumpage rates meant that these sales could not be harvested.

The financial impact on Hayes was dramatic. Between 1997 and 1998, gross revenue fell dramatically, and the company sustained a large loss as a result in 1998. By 1999, it remained uncertain how much contract logging the company would be offered, and logging its own sale and those of the two numbered companies, and selling the logs on the domestic market was not an economic alternative. The very existence of the company was at stake.

The three companies proposed that of the 57,469 m^3 Hayes would harvest off the four sales in 1999, that through Hayes, they be permitted to sell 40,307 m^3 on the export market. Without this option, if this volume was harvested and sales were restricted to the domestic market, the loss would impact severely on the company. By being permitted to export the majority of the harvest with a modest \$1/m^3 fee in lieu of manufacturing, the loss would be reduced to a level that would be sustainable. This harvest would result in the creation of 36 full time equivalent jobs during 1999. From this economic activity the Province would be the recipient of approximately \$2.4 million in stumpage revenue, which it otherwise would not have received if the sales were not harvested.

The purpose of this Economic Plan was to address the economic dilemma that the companies were facing while generating economic activity in the forest sector.

Components of Plan:

1. Ministry of Forests agreed to consider the approval of one or more ministerial orders for the export of a maximum of 70 percent of the timber harvested from the tenures between the authorization of this plan and December 31, 1999, if the Minister or his designate was satisfied that the timber from TSL A47566, TSL A48739, TSL A51426 and TSL A51869 was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. Ministry of Forests required a payment of a fee in lieu of manufacturing of $1/m^3$ on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. Hayes Forest Services Ltd. agreed to maintain a level of employment consistent with historical personnel requirements in harvesting A47566, A48739, A51426 and A51869 during 1999. It agreed to keep its stumpage account current at all times, and to provide monthly employment statistics per timber sale to the JPC.

3. 3891 Investments Ltd. endorsed the plan.

4. 476828 BC Ltd. endorsed the plan.

Date authorized: April 9, 1999
Date in force and effect: April 13, 1999

Highland Valley Copper Corp. #1

Highland Valley Copper Corp. (HVC) is the largest copper mine in Canada and one of the larger open pit copper mines in the world in terms of tonnage mined and milled. It is a partnership between Cominco Ltd. (50 percent), Rio Algom Limited (33.6 percent), Teck Corp. (13.9 percent) (including 2.5 percent from Highmont Mining Co.) and Highmont Mining Co. (2.5 percent), (excluding Teck's 2.5 percent).

The company produced 437,842 tonnes of copper sulphide concentrates containing 368 million pounds of copper and 4,543 tonnes of molybdenum sulphide concentrate containing 5.2 million pounds of molybdenum in 1998. The mine is located on Highway 97C, 17 km west of the town of Logan Lake and 75 km southwest of Kamloops. Sales for 1998 were $305.5 million with most of the copper concentrate going to smelters in Japan, other far east countries, and elsewhere under long term frame contracts. The molybdenum is sold to traders who currently ship it to Europe. HVC employs approximately 950 people, who generally live in the surrounding communities of Kamloops, Logan Lake, Ashcroft, Merritt, Cache Creek, and Lower Nicola.

In the winter of 1998/99 it appeared that low metal prices precluded any profits being made in the near future, and the operation would be unable to contribute to the partners. The JPC was approached to provide assistance in restructuring some of the operating costs as an alternative to shutting down the mine and laying off all the employees.

In February 1999, the JPC undertook an action plan that consisted of an independent assessment and evaluation of the HVC Mine and the development of an Economic Plan. The consulting firm of Rescan Engineering Ltd. was engaged to conduct the study. The consultants concluded that the mine operation would be viable under normal operating conditions. While the mine was reported to be operating efficiently, low metal prices and an inability to resolve certain cost issues caused the mine to close, effective May 15, 1999.

To improve cash flow during periods of low and volatile metal prices, concessions were required in expenses such as power, wages and salaries, consumable supplies, and outside services.

This Economic Plan was intended to define what commitments were necessary from the various stakeholders to enable the HVC Mine to resume production and to continue operating while metal prices were low.

Components of the Plan:

1. Highland Valley Copper Corp. agreed to employ reasonable commercial efforts to maintain operations at the HVC mine site during the term of the plan, providing the price of copper remained above US$0.60/lb, and to negotiate discounts on goods and services supplied to the operations, with a target level of $2 to $4 million in cost savings. It agreed to negotiate an agreement for all union and non-union employees which would allow for a discount of up to 15 percent of the total salaries, wages and benefits otherwise payable, and a repayment of the discount to the employees if the copper prices returned to higher levels. It was estimated that, as a result of this agreement, there could be a discount or repayment of up to approximately $14 million per year. HVC also agreed to negotiate a risk sharing agreement with the Power for Jobs Administrator for the provision of hydroelectric power which would establish a total base Hydroelectric Power cost (Base Power Cost) and allow for a discount or premium of up to 45 percent of the base Hydroelectric Power cost otherwise payable. It was estimated that as a result of this agreement there might be a discount or premium of up to $14 million per year on the Base Power Cost.

2. Cominco Ltd., Rio Algom Ltd., Teck Corp., and Highmont Mining Co., ("the shareholders") agreed to maintain the current level of technical, management and financial support for the HVC mine, and to provide the operation with the funds necessary to undertake its capital maintenance and replacement program, which was estimated to be $7.2 million per annum, plus other extraordinary capital expenditures required from time to time for the efficient operation of the mine.

3. The Power for Jobs Administrator under the *Power for Jobs Development Act* agreed to enter into a risk sharing agreement with HVC which would provide a discount or premium of up to 45 percent of the base power cost for electricity used in the operation of the HVC mine for a five year period, based on the price of copper. The discount would be calculated on a sliding scale down to US$0.6 copper, and there would be an equivalent premium at higher copper prices.

4. United Steelworkers of America, Local 7619 agreed to enter into an agreement with HVC which would provide a discount or repayment of discount of up to 15 percent of the cost of wages and benefits otherwise payable related to the operation of the HVC mine for a five year period based on the price of copper. The discount would be calculated on a sliding scale down to US$0.6 copper, and the return of the discounts repaid at higher copper prices.

Date Authorized: August 30, 1999
Date in Force and Effect: August 31, 1999

Highland Valley Copper Corp. #2

Highland Valley Copper Corp. (HVC) is a participant in and an interested party to an Economic Plan pursuant to the *Job Protection Act* approved by the Job Protection Commissioner on August 30, 1999 (the "August Plan"). The August Plan contemplated that "concessions are required in expenses such as power, wages and salaries, consumable supplies, and outside services." Through inadvertence the August Plan did not include provision for a waiver of demand charges incurred by HVC arising out of an Electricity Supply Agreement between HVC and the B.C. Hydro and Power Authority (B.C. Hydro). This Economic Plan and Agreement was intended to address that issue. Accordingly, the participants to this Economic Plan and Agreement made the following commitments:

Components of the Plan:

1. Highland Valley Copper Corporation agreed to fulfill all the commitments it made in the August Plan, and agreed that nothing in this Economic Plan and Agreement would abrogate those commitments, or alter the August Plan.

2. B.C. Hydro and Power Authority agreed to waive and not charge, demand, collect or receive the demand charges incurred by HVC during the period June 1, 1999 to July 18, 1999; and the Social Services Tax, Goods and Services Tax and interest that would have been otherwise payable in respect of those demand charges.

Date Authorized: November 8, 1999
Date in Force and Effect: November 9, 1999

Husby Forest Products Ltd.

Husby Forest Products Ltd. (Husby) is the largest independent market logger on the Coast. The slump in the log market combined with the predominant hembal/spruce profile of wood available to Husby within its four timber licences, impacted negatively on the company's revenue and profitability over the past two years. The net revenue in fiscal 1997 only amounted to 37.2 percent of that recorded in fiscal 1996. For the first 11 months of 1998, the company reported net revenue similar to that experienced in the previous year.

The company reported that it would suffer large losses on the harvest of 266,541 m^3 from its two forest licences if restricted to selling on the domestic market. Without assistance, the company would not intend to harvest this volume, and fewer logs would be available for the domestic market. As an alternative, the company proposed that it be permitted to sell 91,672 m^3 of the 266,541 m^3 (34 percent, comprising hembal and spruce) on the export market, with the fee in lieu of manufacturing set at \$1/m^3. The company reported that those measures would reduce its loss on the harvest on those licences to a level which, still substantial, would permit the harvest to proceed. This would result in 174,869 m^3 being supplied to the domestic market, much of which might not otherwise have been harvested. The harvest from those forest licences would result in 167 direct jobs being maintained during 1999 as well as an undetermined number of indirect jobs. From this economic activity, the Province would receive approximately \$1.3 million in stumpage revenue, which it otherwise would not have received if the sales were not harvested. The alternative for the company was to wait out the poor log market, however, no improvement in prices was anticipated in 1999 and there were risks and costs attached to such a strategy.

The company estimated that for it to suspend harvesting in 1999, it would still sustain substantial losses in terms of the costs of maintaining permits and infrastructure to permit harvesting to resume in the future. Husby could also be faced with potential actions by the Ministry of Forests if it did not harvest in 1999.

The purpose of this Economic Plan was to address the economic dilemma that the company was facing while generating economic activity in the forest sector.

Components of Plan:

1. Ministry of Forests, in order to stimulate logging activity and to increase the supply of logs for domestic mills, considered the approval of one or more ministerial orders for the export of a maximum of 34 percent of the timber harvested from the tenures, with 66 percent going to the domestic market. The exports would be authorized only for the period between the authorization of this Plan and December 31, 1999, if the Minister or his designate was satisfied that the timber from the forest licences was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province.

Ministry of Forests required a payment of a fee in lieu of manufacturing of $1/m³ on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. Husby Forest Products Ltd. agreed to apply best efforts to harvest a minimum of 266,541 m³ from its forest licences in 1999, and to offer at least 66 percent of the timber harvested from those tenures to the domestic industry, and to maintain a level of employment consistent with historical personnel requirements in harvesting its forest licences during 1999. It agreed to keep its stumpage account current at all times, and to provide monthly employment statistics per timber sale to the JPC.

Date Authorized: April 13, 1999
Date Revised: April 23, 1999
Date in Force and Effect: April 26, 1999

International Forest Products Ltd.

International Forest Products Ltd. (Interfor) is an integrated forest products company with facilities and operations based primarily in coastal B.C. The operations include various logging interests working in rather widely dispersed timber areas. Processing operations include white-wood and cedar facilities producing standard and specialized white-wood and cedar products. Interfor markets products in North America, Asia and Europe. In 1998 the company reported a net loss of $58.7 million (YE 1997 - $429,000 profit) and had generated earnings of $900,000 during the first quarter of 1999. The turnaround was partially the result of a restructuring initiative undertaken in mid 1998 that included the indefinite curtailment of two mills.

Like most coastal forest companies, Interfor had not been harvesting their full Annual Allowable Cut (AAC). Assuming that this Economic Plan came into effect, Interfor estimated that some 2.5/2.6 million m³ of their total of approximately 3.2 million m³ AAC would be harvested in 1999. Under domestic market conditions, Interfor estimated that they expected to harvest some 231,800 m³ of logs from the marginal areas listed in this Plan. If export permits were made available, Interfor would be able to harvest up to 745,800 m³ of logs from the same areas. If the 745,800 m³ were sold on the domestic market only, losses of $17.6 million were estimated. If the requested export permits were exercised, the losses were estimated to be reduced to approximately $12 million, resulting in a potential $5.6 million improvement in logging operations results and a recapture of development expenses already incurred. Interfor indicated that they were prepared to undertake this program to provide work for their own operations and for their logging contractors that were in need of work.

The proposed export program would result in increased harvesting volumes of 514,000 m^3 in the subject areas. Using statistics for the coast industry, this increase was estimated to create the equivalent of 500 additional industry jobs and would provide an additional 180,300 m^3 of logs (over and above the 231,800 m^3 that might be available without the export program) available to the domestic market and/or Interfor mills.

In addition to the increased logging activity that would result from this plan, Interfor was undertaking to re-establish its mill operations at Squamish. The increased volumes of logs, available to the domestic market and Interfor mills under this plan, would be instrumental in the re-establishment of this operation. Final business plans were being completed which would see the commencement of a one shift operation, which was expected to expand to two shifts as markets and production develop. Working capital requirements of up to $6 million for one shift, expanding to $10 million for two shifts, were to be funded by Interfor.

The purpose of this Economic Plan was to address the economic dilemma that the company was facing while generating economic activity in the forest sector.

Components of the Plan:

1. Ministry of Forests, in order to stimulate logging activity, to increase the supply of logs for domestic mills, and to facilitate the re-establishment of operations of the Interfor Mill in Squamish, arranged the approval of one or more ministerial orders for the export of a maximum of 333,700 m^3 of the timber harvested from the tenures, with 412,100 m^3 going to the domestic market, including Interfor mills. (A ministerial order is an approval of a Log Export Application for less than 15,000 m^3 of harvested timber, by the Minister or his designate under Section 128(2) of the Forest Act). The exports would be authorized only for the period between the authorization of this Plan and December 31, 1999, if the Minister or his designate was satisfied that the timber from the various licencee's areas was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. Ministry of Forests required a payment of a fee in lieu of manufacturing of $1/$m^3$ on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. International Forest Products Ltd. agreed to apply best efforts to harvest 745,700 m^3 from the forest licences, timber licences and tree farm licences in 1999 and to offer at least 412,000 m^3 of the timber harvested from those tenures to the domestic industry, including Interfor mills, and to maintain a level of employment consistent with historical personnel requirements in harvesting these licences. It agreed to keep its stumpage account current at all times, and to provide monthly employment statistics per operation to the JPC. It also agreed to re-establish operations on July 19, 1999, on an economic basis, at the Interfor Mill in Squamish and to provide up to $10 million in working capital that

might be required to operate the mill. The operations would be maintained, subject to serious, unexpected adverse developments, until at least December 31, 1999. Interfor also agreed to extend the seniority retention and benefits for all employees at the Squamish Mill to October 31, 1999.

3. The Truck Loggers Association endorsed the Economic Plan.

4. Kwatna Timber Company Ltd. endorsed the Economic Plan.

5. RBW (1992) Contracting Inc. endorsed the Economic Plan.

6. Bear Creek Contracting Ltd. endorsed the Economic Plan.

7. Allison Pass Sawmills Ltd. endorsed the Economic Plan.

8. The District of Squamish endorsed the Economic Plan.

9. IWA Canada Local 2171 endorsed the Economic Plan.

Date Authorized: June 28, 1999
Date Revised: July 13, 1999
Date in Force and Effect: July 14, 1999

J. B. Mills Ltd.

This value-added wood processor is situated in Revelstoke and employs 16 people. Incorporated in 1993, the company had established an active file with the JPC in mid 1996 as the principals, Jim Scott and Darrel Delaronde, continued efforts to make the operation viable. In 1997, the JPC engaged an independent consultant to review the company's business plan and assumptions, its existing physical plant and the proposed capital expenditures, in order to assess the firm's viability. The consultant's report concluded that with the capital expansion and the availability of wood, the operation could be viable.

The company was the subject of an Economic Plan dated October 14, 1997. In this plan, the Ministry of Forests agreed to enter into an extended payment program for the company's existing stumpage bill of approximately $120,000. Payments at the rate of $10,000 per month plus interest were to commence on August 1, 1998. Also, the Revelstoke Credit Union agreed to provide a term loan of $250,000 to the company with interest only for the first six months and repayment at the

rate of $12,500 per month plus interest commencing June 1, 1998, with skipped payments in April and May of each year. This loan was 100 percent guaranteed by Forest Renewal BC (FRBC).

It became apparent in the Spring of 1998 that the company would be unable to meet the repayment schedule on both its stumpage account and the credit union loan. The capital program had taken longer than expected to complete, with costs escalating beyond budget by about $75,000. There was a sudden, unexpected erosion of the Japanese market. Stumpage increased substantially from the figure quoted in its business plan. All of these factors contributed to the company's problems.

The principals working with their broker, Teamwood Traders Ltd. of New Westminster, addressed the marketing of the company's products by working to re-establish markets in Japan, as well as working contacts the broker had in Europe. While the company completed its capital expansion, albeit over budget, it had only recently solved a problem with its band saw, which had hampered production through constant breakdowns over the past six months.

The company had largely completed its two small business sales, and the existing stumpage account was approximately $302,452. The company would not be incurring any further stumpage debt in the foreseeable future. It had sufficient wood in the yard, plus wood that it would be able to purchase locally to run its operation in 1999.

Components of the Plan:

1. J.D. Mills Ltd. entered into a payment schedule with Ministry of Forests for unpaid stumpage of approximately $302,452. Interest only would be payable until April 1, 1999 with monthly payments of $5,500 plus interest to commence on May 1, 1999. It agreed that any stumpage holdback receivable and Ministry of Forests deposits would be applied to the deferred stumpage account in order to reduce the amortization repayment period which action should not impact on the prescribed amount of monthly payments.

   J.D. Mills agreed to remain current with stumpage obligations on all subsequent stumpage debts, and to restrict monthly management fees and salaries paid to the shareholders and its family members to existing levels. It agreed to postpone all dividend payments, repayment of shareholders' loans or any other removal of equity from the company until such time as the stumpage arrears and the FRBC contribution were repaid in full, and to restrict repayment of the intercompany account to Poncho Holdings Ltd. so that the outstanding balance did not go below $150,000. It engaged a qualified individual under contract to provide the necessary assistance in the area of financial management, and agreed to provide financial statements monthly to the JPC by the 25th day of the month following each month end.

2. Revelstoke Credit Union, under the Forest Community Business Program (FCBP), through the Credit Union Central of B.C., agreed to continue providing a term loan of $250,000. Repayment on the loan would be restructured, calling for interest only until April 1, 1999 and monthly payments of $5,000 per month plus interest to commence on May 1, 1999.

3. Ministry of Forests agreed to enter into a repayment schedule on the stumpage debt of approximately $302,452 which would call for payments of interest only until April 1, 1999 and monthly payments of $5,500 commencing on May 1, 1999. It agreed that J. D. Mills Ltd., during the period of this plan was in full force and effect and/or as long as it was current in payment of all its stumpage accounts, should remain eligible to participate in the Small Business Forest Enterprise Program and to bid on crown timber. Ministry of Forests retained the right, that if payments on the deferred stumpage debt and any subsequent stumpage obligations of J. D. Mills were not met as agreed, to move forthwith to institute immediate collection action against J. D. Mills Ltd. and the guarantor Poncho Holdings Ltd.

4. Forest Renewal BC agreed to provide written confirmation to the Revelstoke Credit Union that the change in the terms of repayment of the loan to J. D. Mills was acceptable to them and did not in any way affect its guarantee under the FCBP.

5. Poncho Holdings Ltd. agreed to provide a corporate guarantee to the Revelstoke Credit Union, in support of the FRBC guaranteed loan to J. D. Mills Ltd., and a corporate guarantee in the amount of $302,452 to Ministry of Forests for the stumpage account of J. D. Mills Ltd. It also agreed to provide a postponement of claim for $150,000 of its inter-company account with J. D. Mills Ltd. This postponement would remain in place and would be reviewed annually by the JPC.

Date Authorized: January 15, 1999
Date in Force and Effect: April 15, 1999

Louisiana-Pacific Corp.

The Chetwynd Pulp Mill was built by Louisiana-Pacific Corp. (L-P) in 1990/1991 with an initial investment of US$225 million. It was created to produce bleached chemi-thermomechanical pulp (BCTMP) produced predominantly from local aspen, and employs approximately 183 people. It uses zero effluent technology, in which process waste waters are treated and returned as fresh water with no fluid discharge to the environment. The original freeze crystallization process did not perform well, and in 1993 was replaced, at considerable capital cost, by the currently employed evaporation process.

L-P wished to divest itself of its pulp operations to focus on its building materials operations. Because of uncertainties as to the long term fibre supply, L-P closed and sold the equipment from its Ketchikan, Alaska mill in 1997. In 1998, its mill in Samona, California was operating successfully but would be sold as soon as a suitable buyer was located. The Chetwynd mill incurred high costs and had been unsuccessful in bringing production up to design on a sustained basis.

Because of current market conditions in all aspects of its operation, L-P was not willing to absorb the Chetwynd mill losses. One option was to close the mill. However, L-P's preferred approach was to establish a viable business which could sustain itself until a sale could be concluded. L-P was interested in having an ongoing operation, as it hoped to supply a fibre mix to the Chetwynd mill as part of a proposal to integrate facilities, and optimize fibre usage should the company be successful in its proposals to obtain additional wood in northeastern B.C.

In 1999, L-P was negotiating with an experienced participant in the pulp industry (Millar Western Forest Products Ltd.) to manage the mill for the next two years, with an option to buy. This producer and L-P had examined the potential for improvements at the mill, which formed the basis for L-P's financial projections. These projections forecast a significant loss for 1999, but neither company was in a position to absorb these losses.

Production costs at the Chetwynd mill were considerably higher than for some of its competitors. High mill costs had been historically driven by certain management decisions, lack of stability, economic scale, and not reaching planned capacity. L-P went through a major management reorganization in 1995 and had made positive changes at Chetwynd since, but costs were still high.

The Chetwynd mill had incurred high costs in other areas as well. Its freight costs, terminal handling, and other material costs were higher than those being paid by competitors. This related in part to scale of operation, but mostly to past management and management structures.

The operation could be made cost competitive, but that would take at least a year. In 1999, losses were projected at approximately $23 million annually. Operating changes were expected to save about $6 million in 1999 and a further $5

million in the year 2000. A variety of other changes or concessions were expected to reduce the impact of the remaining loss in 1999 over the following two or three years.

The JPC was approached to help the mill work out its problems. A consultant, H & W Saunders Ltd., was hired to analyze the operations and financial viability of the mill, and to make recommendations regarding technical and financial alternatives that might enhance the viability and competitive position of the mill.

As the facilities were basically sound, the consultant came to the conclusion, along with L-P, that the operation could be made competitive with some capital expenditures (up to $8.7 million over the next two years and included in cash flow projections) and by adding more technical and management expertise. In the short term, it would also be necessary to lower costs of electrical energy, transportation, logs/chips, chemicals and labour.

The steps noted in the report should restore confidence in the operation and result in a high probability of success. Working with a successful producer (Millar Western) should have a mutual advantage in terms of obtaining lower input costs and better selling prices as a result of improved scale.

This Economic Plan was developed to assist in the restructuring of the Chetwynd Pulp Mill by detailing the deferrals, cost reductions and other accommodations required of the participants, in order to allow the mill to continue to operate.

Components of the Plan:

1. Ministry of Forests agreed to expedite the approval of cutting permits under an approved Forest Development Plan for PA 13 and/or FLA60064, if L-P was the successful applicant, and to work closely with L-P to provide some relief from the mandatory use of hardwood volumes on a case by case basis. The relief would be predicated on log costs primarily as a result of the distance to mill and/or volumes. Ministry of Forests also agreed to allow a moratorium on the utilization of cottonwood from any Crown timber destined for L-P's Chetwynd BCTMP plant during 1999 and 2000. Any reduction in utilization might be subject to the Timber Supply Review process. This moratorium on the use of Crown cottonwood was not intended to reduce the consumption of cottonwood traditionally acquired from private B.C. small businesses or woodlot holders.

2. Ministry of Finance & Corporate Relations agreed to defer the portion of the school tax levied by the City of Chetwynd and the City of Dawson Creek for the Louisiana Pacific Chetwynd Pulp Mill in 1999 and 2000 resulting from a deferral. Interest charges would be levied at the prescribed rate for overdue taxes, but no penalties would be assessed. Repayment of the deferred school taxes would be made by monthly payments, commencing January 1, 2001.

3. Lousiana-Pacific Corp. agreed to complete a management contract with Millar Western Forest Products Ltd. to operate the Chetwynd mill for at least two years, and to commit to a power supply agreement with B.C. Hydro including a 50 percent reduction of normal power cost in the first two years and subsequently a premium. It committed to the repayment schedule for any deferred taxes and to take all necessary steps to transfer the Hydro commitments in this Economic Plan to a commitment under the *Power for Jobs Development Act* on the same terms and conditions as set out herein. L-P agreed that as part of the agreement entered into under the *Power for Jobs Development Act*, the power supply agreement for the Chetwynd Pulp Mill would be in effect until the earlier of December 31, 2006 or the date that L-P paid an amount in premiums which equaled the difference in the amount L-P paid for the consumption of electricity under the first two years of the agreement and the 1821 Tariff, plus the risk premium. It agreed that should direct retail access become available during the term of the Economic Plan, the Chetwynd Pulp Mill would continue as a customer of Hydro until the expiration of the time period, and that the obligation of L-P would survive the earlier termination of this agreement. L-P committed to completing a six year labour agreement with CEP Local 448, and a contract with B.C. Rail.

4. Millar Western Forest Products Ltd. agreed to enter into a management contract with L-P to operate the Chetwynd Pulp Mill for a period of two years.

5. Communication, Energy & Paperworkers' Union - Local 448 agreed to complete a six year labour contract which included zero percent increase in 1998, reduction of labour costs of 10 percent in 1999, zero percent increase in 2000 and increases in 2001 to 2003 as outlined in the L-P offer of January 10, 1999.

6. B.C. Hydro and Power Authority agreed to complete a power supply agreement with L-P which would include a 50 percent reduction in power costs in the first two years and an increase in subsequent years based on a formula.

7. B.C. Rail agreed to conclude a five year confidential freight agreement to assist with ongoing viability of the Chetwynd Pulp Mill.

8. The City of Dawson Creek and The Town of Chetwynd agreed to defer 50 percent of property taxes for 1999 and 2000, plus interest accrued at the prescribed rate until January 1, 2001. They agreed to charge interest at the prescribed rate for taxes in arrears but agreed that no penalties for late payment, within the terms of this deferment, would be assessed. They also agreed to repayment of the deferred amount of taxes, and accrued interest in 36 equal monthly installments commencing January 1, 2001, to treat those payments as if they were current payments, and therefore not charge a penalty on current taxes due in 2001, 2002 and 2003 as long as those taxes were paid on their due date. Interest would be in lieu of the penalty.

It was mutually understood that a possible sale of the pulp mill assets might require renegotiation of some of the components.

Date Authorized: March 12, 1999
Date in Force and Effect: April 26, 1999

Meeker Cedar Products (1967) Ltd. and West Forest Products Ltd.

Meeker Cedar Products (1967) Ltd. (MCP) is a family owned business headquartered in Mission, specializing in the production of cedar shakes. In addition to its mill in Mission, MCP and its related companies have investments in block mills located in Port Alberni, Port McNeill and Kamloops. The direct employment in MCP through these various operations is 250, with another 50 to 60 subcontractors involved in cutting shake blocks.

MCP acquired majority control of the shares of publicly traded West Coast Forest Products Ltd. (WCFP) in early 1997. At the time of the acquisition, WCFP had one operating division, Herman Timber (HT) which controlled and operated forest licence A20542 in the Fraser Timber Supply Area (AAC of 55,010 m^3) and ran a log sorting yard in Mission. The rationale for MCP acquiring WCFP was to attain control of the forest licence in recognition that having a secure source of its own fibre would provide a more solid base for its cedar shake business. WCFP has 12 full time employees with another 30 people working for contractors in harvesting its timber.

Shortly after its acquisition by MCP, WCFP began to experience a deterioration in the coastal log market due to an unprecedented decline in the Japanese market combined with restrictions under the U.S. Softwood Lumber Agreement. As a result, HT as the operating division within WCFP began to experience operating losses which resulted in the company having to be financially supported by MCP. Coincidental with this, MCP embarked upon capital investments in its Port McNeill venture. MCP had intercompany advances to WCFP which could not be repaid at that time which placed a great strain on its working capital and was in non-compliance with certain terms of its credit facilities with its own bank. Since the acquisition of WCFP, significant shareholders loans had been injected into MCP.

Representatives from MCP and WCFP approached the JPC and the Ministry of Forests in June 1998 to explore means to assist with their financial difficulties and operational problems.

The JPC engaged a consultant, Mel-West Consulting, to undertake a financial and operational viability review. The conclusions and recommendations served as a basis for this Economic Plan.

Components of Plan:

1. Ministry of Employment and Investment (MEI) agreed to provide a term loan of $700,000 to MCP to inject working capital, and a term loan of $1 million to WCFP to inject into working capital, the terms and conditions of the loan were to be negotiated between the company and MEI. It also agreed to a 20 percent residual loan guarantee to a maximum of $300,000 on behalf of WCFP to the National Bank of Canada to support an operating line of credit of $1.5 million. Collateral security was to be negotiated between the company and MEI.

2. Ministry of Forests agreed to enter into a schedule of interest only payments for a 12 month period followed by 48 monthly principal payments of $9,477 with Tamahi Logging Co. Ltd. on $454,873 of the company's existing stumpage debt. It agreed to enter into a schedule of interest only payments for a 12 month period followed by 48 monthly principal payments of $5,293 with Meeker Log and Timber Ltd. on $254,072 of the company's existing stumpage debt. In order to stimulate logging activity and to increase the supply of logs for domestic mills, they agreed to consider the approval of one or more ministerial orders for the export of a maximum of 34 percent (18,740 m^3) of the timber harvested from the tenure, with 66 percent (36,270 m^3) going to the domestic market. The exports would be authorized only for the period between the authorization of this plan and December 31, 1999, if the Minister or his designate was satisfied that the timber from FL A20542 was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. Ministry of Forests required a payment of a fee in lieu of manufacturing of $1/$m^3$ on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

3. The Bank of Nova Scotia agreed to continue to provide an operating line of credit of $10.1 million to MCP under the existing margin stipulations reducing to $9 million on November 30, 1999, and to continue to provide the existing term loan assistance to MCP, but waive monthly principal payments of $49,500 for the six month period commencing July 1, 1999 to December 31, 1999. Interest would be paid monthly and the principal payments amortized evenly over nine and a half years commencing in January 2000.

4. The National Bank of Canada agreed to restore the operating line of credit of $1.5 million to WCFP under the existing margin stipulations with the exception of increasing the margin against log inventory from 55 percent to 75 percent calculated first on the total inventory and then deducting outstanding stumpage. It also agreed to continue to provide the existing term loan assistance to WCFP but waive monthly principal payments of $112,500 for the eight month period commencing May 1999 to December 1999. Interest would be paid monthly and the loan payments would be amortized evenly over nine years commencing in 2000.

5. West Coast Forest Products Ltd. agreed to provide collateral security as required to support the direct loan and the guarantee. It agreed to provide collateral security as required to support the loan to MCP, and to restrict remuneration to individual officers, directors and shareholders to existing levels as long as the financial assistance was outstanding. It also agreed to negotiate a cancellation of the employment contract with Bobby Braich for 1999, provide monthly financial and operational information as prescribed by the Ministry of Finance and Corporate Relations; and provide a charge on corporate assets to MCP in support of the shareholder loans from MCP subject to the charges to the National Bank and the Province of B.C.

6. Tamahi Logging Co. Ltd. agreed to provide collateral security as required in support of provincial government financial assistance to MCP and WCFP, and to make the prescribed 12 monthly interest payments and the 48 payments of $9,477 plus accrued interest on the company's deferred stumpage account of $454,873 and make payment on all new stumpage obligations as they fell due. It also agreed to provide a full corporate guarantee to MCP supported by a second charge on its assets in consideration of the shareholder loans from MCP to WCFP.

7. T.B.M. Cedar Ltd. agreed to provide collateral security as required in support of provincial government financial assistance to MCP and WCFP.

8. Meeker Log and Timber Ltd. and Meeker Log and Timber Kamloops Ltd. agreed to provide collateral security as required in support of provincial government financial assistance to MCP and WCFP, and to make the prescribed 12 monthly interest payments and 48 monthly payments of $5,293 plus accrued interest on the company's deferred stumpage account of $254,072 and make payment on all new stumpage obligations as they fell due.

9. Meeker Cedar Products (1967) Ltd. agreed not to make any capital expenditures exceeding $20,000 without the prior approval of the Ministry of Finance and Corporate Relations, and to provide collateral security as required in support of direct provincial government loan. It agreed to restrict remuneration to individual officers, directors and shareholders to existing levels as long as the provincial financial support was outstanding. MCP also agreed to provide monthly financial and operational information as prescribed by the Ministry of Finance and Corporate Relations, and to maintain its operating facility in Mission, and employ its best efforts to maintain its current level of employment, and carry postponed shareholders' loans of at least $6 million by July 31, 1999.

Date Authorized: June 28, 1999
Date in Force and Effect: July 28, 1999

Murch Timber Ltd.

Murch Timber Ltd. (Murch) is a small unionized logging company employing approximately 32 people, which was incorporated in 1986. Over the years, the company carried out contract logging in the Mission area for a series of forest companies. The company is registered under the Small Business Program and in 1999 had two sales which it found uneconomic to harvest. Completion of these two sales was extended by the Ministry of Forests to December 31, 1999; however, if the company harvested and sold all of the wood domestically under the current market conditions, it would stand to lose an amount it could not absorb and stay in operation.

The company had invested in road building on timber sale A52691 (Chehalis Lake) while no funds had been spent on timber sale A54325 (Harrison Lake) which was a heli logging contract. The volume on the two sales was 39,117 m^3 and the company proposed to export 14,643 m^3 of its fir and hembal while the balance (24,474m^3) would be sold into the domestic market. This would reduce the loss on the two sales to a level that the company could sustain.

The purpose of this Economic Plan was to address the economic dilemma that the company was facing while generating economic activity in the forest sector.

Components of the Plan:

1. Ministry of Forests, in order to stimulate logging activity and to increase the supply of logs for domestic mills, considered the approval of one or more ministerial orders for the export of a maximum of 38 percent of the timber harvested from the tenures, with 62 percent going to the domestic market. The exports would be authorized only for the period between the authorization of this Plan and December 31, 1999, if the Minister or his designate was satisfied that the timber from timber sale A52691 and timber sale A54325 was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. Ministry of Forests required a payment of a fee in lieu of manufacturing of $1/$m^3$ on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. Murch Timber Ltd. agreed to apply best efforts to entirely harvest timber sale A52691 and timber sale A54325 in 1999 and to offer at least 62 percent of the timber harvested from those timber sales to the domestic industry and to maintain a level of employment consistent with the planned personnel requirements. It also agreed to keep its stumpage account current at all times, and provide monthly employment statistics per timber sale to the JPC.

3. The Truck Loggers' Association endorsed the Economic Plan.

Date Authorized: July 23, 1999
Date in Force and Effect: July 29, 1999

P.G. Specialty Wood Products Ltd. and Pacific Precision Wood Products Ltd.

Prince George Specialty Wood Products (P.G. Specialty) produces custom cut pine lumber, primarily for Pacific Precision Wood Products (Pacific Precision) which makes edge-glued panels for use in the furniture manufacturing industry. The companies have common shareholders. Both plants are located in Prince George. Between 30 and 60 employees have been working intermittently. The companies have been in financial difficulties for several years. In 1996 high cost financing was arranged through the now failed Eron Mortgage Corp. (Eron). However the funding was delayed and cash intended for working capital was diverted to acquire previously leased assets to satisfy the lender's terms. In October 1997 protection was sought under the Bankruptcy and Insolvency Act.

Following a positive consultant's report on the operations, an Economic Plan was developed in April 1998 by the JPC. The purpose of the Plan was to give the companies a chance to restart operations and fulfill their financial commitments. Unfortunately, losses continued and agreed payments were not met. A substantial discount was tentatively negotiated on the secured Eron debt and in 1999, the companies were endeavouring to restructure and refinance. This would involve a sizable amount of new equity investment.

Additional timber supply was made available to Pacific Precision to enable the operations to continue on a limited basis. Although regular payments could not be made against stumpage arrears owing by P.G. Specialty, the balance by mid 1999 was at about the level anticipated under the 1998 Economic Plan, as a result of payments made by purchasers. Property taxes, which were not deferred under the 1998 Economic Plan, had not been paid by P.G. Specialty since 1996 and were outstanding at $347,000. If the pressure to pay property taxes and stumpage arrears could be reduced, the companies believed that their restructuring plans could be finalized by year end and that modest operations could continue until then.

This Economic Plan under the *Job Protection Act* was developed to give the companies a modest period of grace to attempt the completion of the restructuring proposed. It was anticipated that a follow-up Economic Plan would be prepared before December 31, 1999.

Components of the Plan:

1. Ministry of Forests agreed to allow P.G. Specialty and the related Pacific Precision to defer all Stumpage and Other Charges (deferred stumpage) owing as at July 31, 1999 until December 31, 1999. This deferral of stumpage was subject to:
   (i.) payments of interest on the stumpage account, including interest on accrued interest if any, at the end of each month commencing September 30, 1999; and
   (ii.) payment of stumpage for timber harvested from Timber Sales held by P.G. Specialty or by Pacific Precision, scaled after July 31, 1999, and processed through the P.G. Specialty sawmill, within 30 days of the invoice date.

2. The City of Prince George agreed to defer property taxes of approximately $347,000, owing by P.G Specialty, and due July 2, 1999, until January 1, 2000 (interest and penalties on the deferred taxes continued to accrue until the taxes were fully paid). The City also agreed to postpone any proceedings on a tax sale of the Property until January 1, 2000, and to have its Corporate Services Department review a request for an extended repayment plan for overdue taxes, a further postponement of tax sale proceedings and a waiver of future penalties on the expectation that this repayment plan would be developed before December 31, 1999 and would be part of a further Economic Plan. However, it was understood and agreed that nothing in this Economic Plan required the City of Prince George to execute any further Economic Plan or agreement.

3. P.G. Specialty Wood Products Ltd. and Pacific Precision Wood Products Ltd. agreed to maintain interest payments on the deferred stumpage account, to make stumpage payments for timber harvested from Timber Sales held by P.G. Specialty or by Pacific Precision, scaled after July 31, 1999, and processed through the P.G. Specialty sawmill within 30 days of the invoice date, and to undertake, on a best efforts basis, to reorganize their financial structure by December 31, 1999 to permit orderly repayment of all company obligations in the future.

It was understood and agreed that any precipitous action on the part of secured creditors not a participant to this Economic Plan would accelerate the termination date of this Economic Plan and the participants would be free to exercise whatever remedies might be available to them.

Date Authorized: August 24, 1999
Date in Force and Effect: September 22, 1999

Roy International Trading Inc.

Roy International Trading Inc. (RITI) was the subject of an Economic Plan dated August 28, 1996. At that time the company, which had been involved in the Small Business Enterprise Program since 1990, had run into financial difficulties due primarily to a slump in the Japanese market in 1994. The resultant drop in the value of the Japanese yen led to large operating losses for RITI in both 1994 and 1995. The end result was that RITI was unable to complete the small business sales, direct employment dropped to Mr. Roy Anderson and his spouse and the stumpage obligations were not being paid.

The existing Economic Plan was structured to permit RITI to deal with its stumpage debt of $346,172.93 while still continuing to carry on its normal economic activities. The Ministry of Forests agreed to an extended repayment program on the stumpage obligation and the company agreed to maintain the repayment program. The company's bank, the Hongkong Bank of Canada was part of the existing Economic Plan and agreed to continue to offer its financial support, albeit backed in most part by a term deposit. The term deposit was cashed and the proceeds applied against the loan account of the company.

Payments on the stumpage account commenced in March 1997 and continued until October 1998 at which time the principal, Mr. Anderson, stated that continued losses made it impossible for payments to be maintained. In 1999, RITI was not an operating company and Mr. Anderson had been conducting his log brokerage business through Roy (Canada) Trading Inc. (RCTI). RCTI paid a management fee to RITI, which in part provided for the monthly payment to Ministry of Forests.

Neither company had the resources at that time to make any further payments on the deferred stumpage account, and the purpose of this Plan was to regularize the situation through an agreement to suspend payments on the account for a period of six months, with the situation to be reviewed again at that time.

Components of the Plan:

1. Ministry of Forests agreed to a six month moratorium of payments from November 1998 to April 1999 on the deferred stumpage account of RITI, and to waive interest on the deferred stumpage account of RITI as long as the repayment schedule was kept current. It agreed to accept 39 monthly payments of $4,743 commencing on May 1, 1999 and one payment of $4,754.45 on August 1, 2002, and that during the period that the plan was in full force and effect that RTCI should remain eligible to participate in the Small Business Enterprise Program.

   It was understood that if RITI failed to make its required monthly payments to Ministry of Forests and/or failed to remain current for any subsequent stumpage obligations, then Ministry of Forests would be free to consider this agreement null and void, and pursue normal remedies.

2. Roy International Trading Inc. committed to maintaining the repayment schedule of the deferred stumpage obligation, and ensured that the December 31st annual financial statements of RITI would be completed and delivered to the JPC by April 1st of the next calendar year.

3. Roy (Canada) Trading Inc. agreed that the August 31st annual financial statements of RCTI would be completed and delivered to the JPC by December 1st of the same calendar year.

Date Authorized: January 15, 1999
Date in Force and Effect: January 25, 1999

S.W.C. Holdings Ltd.

S.W.C. Holdings Ltd. (SWCH) is part of the Clarke Group of companies, the President of which is Fred Clarke. The company holds a forest licence in the Mid Coast Forest District and has been operating in the Twin Creeks drainage since 1987, employing approximately 15 people. Their Annual Allowable Cut (AAC) is 23,333 m³, however, due to high costs in operating in this remote region combined with low domestic log values, the company was unable to harvest any wood during the cut control period which commenced in 1997. As a result the company would have to commence harvesting or it would be unable to meet its five year cut control requirements. The end result would be reduction in its AAC.

The geographic location of the licence restricted the time that the company could conduct harvesting. The company proposed to harvest 55,042 m³ from its cutting permits by December 31, 1999. Based upon domestic log prices, the company would lose an excessive amount if it sold its output solely into that market. The proposal was that the company would be permitted to sell 27,521 m³ into the export market (50 percent) while the remaining 27,521 m³ (50 percent) would be available for domestic consumption. This would reduce the company's accounting operating loss to a level the company could live with.

The purpose of this Economic Plan was to address the economic dilemma that the company was facing while generating economic activity in the forest sector.

Components of Plan:

1. Ministry of Forests, in order to stimulate logging activity and to increase the supply of logs for domestic mills, considered the approval of one or more ministerial orders for the export of a maximum of 50 percent of the timber harvested from the forest licence and cutting permits, with 50 percent going to the domestic market. The exports would be authorized only for the period between the authorization of this Plan and December 31, 1999, if the Minister

or his designate was satisfied that the timber from those lots was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. Ministry of Forests required payment of a fee in lieu of manufacturing of $1/m³ on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. S.W.C. Holdings Ltd. agreed to apply best efforts to entirely harvest timber from its forest licence and cutting permits by December 31, 1999 and to offer at least 50 percent of the timber harvested from those cutting permits to the domestic industry, and to maintain a level of employment consistent with the planned personnel requirements. It agreed to keep its stumpage account current at all times; and provide monthly employment statistics for its forest licence to the JPC.

3. The Truck Loggers' Association endorsed the plan.

Date Authorized: August 4, 1999
Date in Force and Effect: August 18, 1999

Seaward Mechanical Ltd. and Celista Creek Planer Mills Ltd. and Longridge Wood Sort Ltd.

Seaward Mechanical Ltd. (Seaward) is a family owned logging and value-added company on Seymour Arm, employing approximately 25 people. It was established in 1975, and is owned by Lloyd Seaward and his two sons. They also own and operate Celista Creek Planer Mill Ltd. (Celista) and Longridge Wood Sort Ltd. (Longridge) on the same site. For many years, the Seawards operated a small primary sawmill on their 22 acre property. They do their own logging, trucking, road construction, and operate a log sort yard. It was Mr. Seaward's plan to eventually turn over ownership of Seaward to his two sons and integrate the three companies more closely, however, control would remain with the Seaward family. For this reason and because of the inter-dependence of the companies on each other all three companies are included in the Economic Plan.

The operation relied on the open market and the Small Business Forest Enterprise Program (SBFEP) to buy, sell and trade logs, but it had never been successful in acquiring sufficient fibre to justify an expansion of the business. Finally, in 1998, Mr. Seaward was successful in obtaining two large value-added timber sales for a combined 85,000 m³ over five years. As part of the proposal, the Seaward Group committed to building a value-added remanufacturing plant on the Seymour Arm property. When complete, the plant would add eight new jobs. Financing was arranged and equipment bought. The project was approximately 95 percent complete, but due to several intervening circumstances, including an extended fire season and a $100,000 shortfall in term financing, the Group reached the end of its financial resources.

The Ministry of Forests was concerned with the overdue stumpage accounts and with the possibility that commitments under the timber sales might not be satisfied. The Ministry suggested that Lloyd Seaward should seek the assistance of the JPC to put together a Plan to restructure its finances and complete its value-added project.

The consultant firm of Nicholas Crisp & Associates was engaged to undertake an operational and financial review of the Seaward Group. The report concluded that for the operation to be viable, it must restructure its finances. To improve cash flow, the report recommended that it was necessary to conclude satisfactory repayment arrangements with the major creditors, including the Ministry of Forests' overdue stumpage accounts. This would allow any of the Seaward companies to bid on future timber sales.

Components of the Plan:

1. Seaward Mechanical Ltd., Celista Creek Creek Planer Mills Ltd. and Longridge Wood Sort Ltd., (the Seaward Group), agreed to employ reasonable commercial efforts to restart operations and maintain production at the current site during the term of the Plan. It agreed to postpone all payment of shareholders' loans or any other removal of equity from the company, until such time as all overdue amounts owing to Ministry of Forests and the Workers' Compensation Board (WCB) were paid in full, without the prior written consent of the Job Protection Commissioner. It also agreed to maintain all payments on current charges, including interest, due to Ministry of Forests, and all current payments to WCB as they fell due.

2. Lloyd Seaward, Ken Seaward and Wayne Seaward ("the Shareholders") agreed to maintain the current level of support to the Seaward Group, and they agreed that there would be no divestiture or change of ownership in the shares of their respective companies, except as envisaged by the Economic Plan, while the Plan was in force and effect, without the prior written consent of the Job Protection Commissioner.

3. Ministry of Forests was owed approximately $163,710 by the Seaward Group as at July 6, 1999, in the amount of representing stumpage and accrued interest for the three entities, (Seaward - $76,318; Celista - $59,735 and Longridge - $27,657). In the interest of ensuring continued support for the group of companies, Ministry of Forests agreed to accept payments of $5,300 per month commencing December 1999, on a pro-rata basis for all three companies until the deferred debt of $163,710 was paid in full. The Ministry's normal interest rate would apply, however, no penalty or levy would be imposed on the overdue amounts as shown above. The Ministry also agreed that during the period the plan was in effect, provided the deferred and current stumpage payments were maintained, that the deferred debt would not impair the eligibility of Seaward, Celista and Longridge for registration in the Small Business Forest Enterprise Program.

4. Community Futures Development Corp., was owed approximately $85,821 by Seaward Mechanical Ltd., repayable at $2,045 per month including interest, as at May 27, 1999. In the interest of ensuring continued support for the company, Community Futures Development Corp. agreed to continue providing the current level of funding to Seaward, and to defer monthly repayments of the principal amount of the loans until December 1999. The term of the loan would be extended to accommodate the deferred payments.

5. The Business Development Bank of Canada, was owed by Seaward Mechanical Ltd. approximately $450,000, repayable at $6,380 per month including interest, as at May 27, 1999. In the interest of ensuring continued support for the company, Business Development Bank of Canada agreed to continue providing the current level of funding to Seaward, and to defer monthly repayments of the principal amount of the loans until December 1999. The term of the loan would be extended to accommodate the deferred payments.

6. Workers' Compensation Board was owed by the Seaward Group approximately $37,789 by way of overdue contributions for 1998, as at May 27, 1999. The total amount owing included $28,400 by Seaward and $9,389 by Longridge. In the interest of ensuring continued support for the companies, WCB agreed to accept monthly payments of $3,000 per month including interest on the Seaward account and $1,000 per month on the Longridge account, commencing December 1999 until the overdue accounts were paid in full. WCB's normal interest rate would apply, however, no penalty or levy would be imposed on the overdue amount as shown above.

7. G. E. Capital, was owed by the Seaward Group approximately $425,000 for capital equipment, repayable at $18,695 a month including principal and interest, as at May 27, 1999. (This consisted of loans in the name of Seaward Mechanical Ltd. for $255,000 at $10,154 a month including interest; $45,000 at $2,365 a month including interest; a loan in the name of Longridge Wood Sort Ltd. for $125,000 at $6,176 a month including interest.) In the interest of ensuring continued support for the companies, G. E. Capital agreed to continue providing the current level of support to Seaward and Longridge, and to defer monthly repayments of the principal amount of the loans until December 1999. The term of the loan would be revised to accommodate the deferred payments.

Date Authorized: July 23, 1999

Date in Force and Effect: August 6, 1999

Seel Forest Products Ltd.

Seel Forest Products Ltd. (SFP) is an integrated, small scale sawmill/remanufacturing complex located on 23 hectares in the community of Edgewater in the East Kootenay region of B.C. The business has been in operation since the early 1940's, starting as a horse logging and portable sawmill operation, and employing approximately 45 people. Incorporated in 1969, the business increased in size, establishing itself at its current site in 1972. The physical plant underwent several upgrades and modernizations over the next two decades, including the installation of dry kilns and the construction of a remanufacturing plant. In April 1995, the company experienced a fire which destroyed the sawmill. It was rebuilt over the succeeding two years, through the proceeds of insurance money and the assumption of additional term debt.

The sawmill produces both CLS grade dimension lumber for North American markets and metric lumber for export. The remanufacturing plant produces joinery, flooring, furniture stock and Japanese house components. SFP utilizes lumber brokers to market its products into North America, the United Kingdom, Belgium and Japan.

For the three fiscal years ending on May 31 of 1993 to 1995, the company was profitable and able to service its current obligations. Since the fire in 1995, the company experienced net losses resulting in an inability to deal with all of its current debt commitments. While a significant amount of the losses were attributable to increased harvesting costs at a time that world lumber markets were slumping, SFP experienced an extraordinary unanticipated loss when it was discovered that some of the lumber it had produced from the Lake Enid timber sale was grub worm infested, resulting in claims from the buyers. The company estimated its financial loss due to this unforeseen problem was approximately $250,000 in addition to the damage to its well established reputation in the industry.

The JPC began dealing with the company in mid 1997 at which time a consultant was engaged to conduct an operational and financial viability review of SFP.

Upon receipt of the report in the Fall of 1997, the JPC attempted to interest several financial institutions in providing funding for SFP. However, the company's inability to produce sufficient cashflow from operations to service its existing term debt thwarted this strategy. At about the same time, SFP was introduced by the JPC to a major company with a significant presence in remanufacturing in order to determine if a joint venture could be agreed upon to increase the utilization of the reman part of the operation. Following several months of delay, the major company indicated in mid 1998 that, given the problems it was facing in Japan, the time was not right for any joint venture.

In the continued face of high log costs and a low amount of lumber quota, SFP incurred a further operating loss for the fiscal year ended May 31, 1998. One effect of the loss was an escalating unpaid stumpage bill with the Ministry of Forests.

In 1999, SFP had four timber sales available to fibre its mill. Two were held by the company and two by Rodney Seel. Three of those were section 21 value-added sales. All four were on fixed stumpage, which made them uneconomical to harvest.

The provincial government announced a new pricing system which would be applicable to existing and future small value-added sales and was designed to re-energize that segment of the forest industry. Unfortunately, the government policy was that this should apply to all firms currently working value-added sales, except those who had chosen fixed stumpage rates.

In view of the circumstances, the company would log its existing sales and plans to blend it with other private wood and future economic small business sales it might be awarded in the future.

The purpose of this Economic Plan was to establish an extended stumpage repayment schedule which would permit the company to continue operations.

Components of the Plan:

1. Ministry of Forests agreed that during the period that the plan was in full force and effect that SFP and Rodney Seel should remain eligible to bid on future sales in accordance with Ministry policy. It agreed to enter into a schedule of 54 equal monthly principal payments commencing in September 1999 of $5,455 plus accrued interest with SFP on $300,025 of the company's existing stumpage debt on TSL A48392, and into a schedule of 54 monthly principal payments commencing in September 1999 of $14,100 plus accrued interest with Rodney Seel on $775,500 of Mr. Seel's existing stumpage debt on TSL A57822 and TSL A48248. Ministry of Forests also agreed that the parties would be permitted to make accelerated payments without penalty.

2. Seel Forest Products Ltd. agreed to maintain its operating facility in Edgewater, and employ its best efforts to maintain its current level of employment. It agreed to make, commencing September 1999, the prescribed 54 monthly payments of $5,455 plus accrued interest on $300,025 of its stumpage debt and make payment on all subsequent stumpage as it fell due. It agreed to provide monthly financial and operational information to the JPC, and to provide a corporate guarantee in the amount of $775,000 supported by a General Security Agreement to Ministry of Forests for the present stumpage obligation of Rodney Seel. It also agreed to keep all future stumpage obligations current.

3. Rodney Seel agreed to make, commencing September 1999, the prescribed 54 monthly payments of $14,100 plus accrued interest on $775,500 of his current stumpage debt and make payment on all subsequent stumpage as it fell due.

Date Authorized: April 8, 1999
Date in force and effect: April 23, 1999

Sitkana Timber Ltd.

Sitkana Timber Ltd. (Sitkana) is a logging operator with a forest licence within Tartu Inlet on the Queen Charlotte Islands. This is a remote area where the operating period is limited to about four months a year due to weather considerations. The operation requires a crew of 30 to 40 persons. During the 1993 to 1997 five year cut control period, the company's forest licence was granted a modification to the standard annual cut control obligation allowing maximum harvest in any calendar year. Virtually no harvesting occurred in 1993 and 1994. An additional cutting permit was issued in November 1996 for 41,659m^3 which was ready to access, and the preparatory work was completed for another 43,554m^3. However, a delay in delivering the 1996 low grade logs contributed to a distortion in the stumpage calculation for the proposed 1997 cut. Though the stumpage was later reassessed for this cutting permit at $0.25/m^3 in May 1998, while the situation was being resolved, the company suspended harvesting.

In 1998, the company found itself with a relatively large undercut of some 86,215m^3 for the five year cut control period. The Allowable Annual Cut (AAC) of the licence is subject to a reduction in response to any deficiency below 90 percent of the AAC available during the period. Additionally, the volume by which the harvest was deficient below 100 percent of the AAC for the period was not available to be carried forward to a subsequent five year cut control period. Both Sections 66 and 67 of the *Forest Act* allow for consideration to a reversal of these provisions, subject to the discretion of the appropriate authority.

The company had done the preparatory work and believed that the decision not to log was prudent given the unresolved stumpage matter. To avoid hardship, and with the cooperation of the Ministry of Forests, the JPC was asked to work with Sitkana to resolve the outstanding undercut issue. This Economic Plan was developed to describe the commitments required of each of the participants in order to allow harvesting to proceed in an efficient manner.

Components of the Plan:

1. Ministry of Forests agreed to refrain from making a reduction in the AAC as a result of the failure to harvest at least 90 percent of the total allowable cut during the five year cut control period 1993 to 1997. It acknowledged Sitkana's request to carry forward all the volume deficiency below 100 percent of the allowable cut during the five year cut control period 1993 to 1997, making it available to the subsequent five year cut control period, and agreed to give consideration to this request.

2. Sitkana Timber Ltd. agreed to prepare road development and logging plans to enable, as much as was feasible, the accelerated harvesting of the 1993 to 1997 undercut volumes with a concurrent reasonably even harvest, as access and crew availability permitted, under the basic 1998 to 2002 five year allowable cut. It agreed to employ its best efforts to harvest the 1993 to 1997 undercut of 86,215m^3 within a two year period commencing immediately and in any event

within the 1998 to 2002 five year cut control period, and to employ its best efforts to harvest the entire 1998 to 2002 five year allowable cut within the cut control period (at the peril of losing any undercut greater than 10 percent at the end of the cut control period). It agreed that it would endeavour to source logging crews to the greatest extent possible from amongst residents of the Queen Charlotte Islands within the bounds of the labour agreement.

3. It was mutually understood and agreed that the parties would execute and deliver such further documents and perform such further acts and deeds as would be reasonable to carry out the spirit and intent of the agreement and to accomplish the objectives.

Date Authorized: February 2, 1999
Date in Force and Effect: February 8, 1999

Skeena Cellulose Inc.

Skeena Cellulose Inc. (SCI) operates a pulpmill at Watson Island, near Prince Rupert, a whole log chipper in New Hazelton, and sawmills at Terrace, Carnaby and Smithers, employing approximately 2,400 people. It has three subsidiary companies, being Buffalo Head Forest Products Ltd. (Buffalo Head), Orenda Forest Products Ltd. (Orenda) and Orenda Logging Ltd. (Orenda Logging). SCI and its subsidiaries hold numerous timber tenures issued under the Forest Act. Combined, these entities have an Annual Allowable Cut (AAC) of approximately 2.39 million m^3, spread over the Kalum, Kispiox, Nass and Bulkley Timber Supply Areas, and TFL No. 1 in the northwest region of B.C.

Over the four years ended December 31, 1996, SCI accumulated operating losses of $76 million and net losses of almost $184 million. As of December 31, 1996, SCI's deficit was $213 million and shareholders' book equity was down to $68 million.

In an attempt to avoid likely imminent bankruptcy, SCI and its subsidiaries filed petitions under the Companies' Creditors Arrangement Act (CCAA) on March 3, 1997.

On February 28, 1997 an Economic Plan was authorized by the Job Protection Commissioner, and accepted by the participants. It was developed as an interim measure to allow for the CCAA filing to proceed. The intent was to create a viable operation that could provide secure, long-term employment to its employees, and stability for its contractors and suppliers.

On March 27, 1997, the Royal Bank and the Toronto Dominion Bank acquired beneficial control of SCI and its subsidiaries, through a series of holding companies. In the four months ended April 30, 1997, SCI incurred further operating losses of $35 million. By the end of June 1997, the company's operating line was fully extended, and SCI ordered a temporary shut down of the pulp mill. This was preceded by a cessation of all logging on SCI and its subsidiaries' licences, and followed over the next two months with a temporary shut down of the sawmill operations. By September 30, 1997 the woodlands operations recommenced and an orderly start-up of the sawmills was underway.

On October 3, 1997 a second Economic Plan was authorized to help make it possible for pulp mill operations to recommence, and to continue the operation of SCI as a whole.

On December 10, 1997 a third Economic Plan under the *Job Protection Act* was authorized to complement a CCAA Plan of Arrangement by empowering a variety of government organizations to provide accommodation to SCI and its subsidiaries. An amended version of the Plan of Arrangement was accepted by the unsecured creditors and the Supreme Court, and was implemented early in 1998. The December 10, 1997 Economic Plan went into full force and effect shortly after the CCAA Plan of Arrangement was implemented.

Operations in the woodlands, the pulpmill and the sawmills were sporadic throughout 1998, partially due to poor markets, and partially due to a lack of working capital. A fourth Economic Plan for SCI was developed to assist SCI in its short term cash flow by providing a short term deferral of 1998 property tax owed the Municipalities in which SCI operates.

This fifth Economic Plan, by extending most of the items identified in the third Economic Plan for another full year, would assist SCI in its short term cash flow.

Components of the Plan:

1. Ministry of Forests, confirmed that the agreements it entered into in the previous Economic Plans involving SCI under the *Job Protection Act* would continue, unless superseded by this Economic Plan. They agreed to allow SCI and its subsidiaries, Orenda Logging and Buffalo Head, to defer all Stumpage and other Charges owing as of December 31, 1998 until January 1, 2000. This deferral of stumpage was estimated to total approximately $19,946,000, including penalties and interest accrued at the prescribed rate. Ministry of Forests required that stumpage for timber scaled after December 31, 1998 would be kept current by SCI and its subsidiaries, and that, commencing January 1, 2000, SCI and its subsidiaries would make 48 monthly payments, each equal to 1/48 of the total stumpage deferred and owing as of December 31, 1999 to Ministry of Forests. It agreed to defer the repayment of $4.423 million of new road construction funded by the Ministry of Forests in SCI's tenures during 1997 (the new road construction costs), plus interest at the prescribed rate, until January 1, 2000, and commencing January 1, 2000, accept 48 monthly payments, each equal to 1/48 of the total new road construction costs, as full and final payment of the deferred new road

construction costs, and in the event of failure to make payments, retain the right to withhold the issuance of further cutting permits to SCI or its subsidiaries until the payments were brought current. It confirmed the implementation of the Ministry of Forests' December 24, 1998 cut block blending guidelines variance which was intended to provide SCI with estimated stumpage savings of up to $500,000 in the Kispiox TSA. The basis for calculation and realization of these savings would be a comparison of without and with variance stumpage rates as calculated by Ministry staff and endorsed by the Regional Manager of the Prince Rupert Forest Region.

2. Ministry of Environment, Lands and Parks (MELP), confirmed that the agreements it entered into in the previous Economic Plans involving SCI under the *Job Protection Act* would continue, unless superseded by this Economic Plan. It confirmed that at that time SCI need not carry out any repairs on the effluent diffuser at the pulp mill. It agreed to defer the payment of the currently outstanding post March 3, 1997 waste permit fees of approximately $700,000, that accrued up to and including December 31, 1997, plus accrued interest, until December 31, 1999. Commencing January 1, 2000, MELP agreed to accept 48 monthly payments, each equal to 1/48 of the total waste permit fees deferred and owing as of December 31, 1999, plus interest at the prescribed rate for overdue accounts, as full and final payment of the deferred waste permit fees.

3. The Workers' Compensation Board (WCB) confirmed that the agreements it entered into in the previous Economic Plans involving SCI under the *Job Protection Act* would continue, unless superseded by this Economic Plan. It agreed to defer the payment of the currently outstanding post March 3, 1997 WCB charges of approximately $2 million, that accrued up to and including December 31, 1997, plus accrued interest, until December 31, 1999. Commencing January 1, 2000, WCB agreed to accept 48 monthly payments, each equal to 1/48 of the total WCB charges deferred and owing as of December 31, 1999, plus interest at the prescribed rate for overdue accounts, as full and final payment of the deferred WCB charges.

4. The City of Prince Rupert and the District of Port Edward confirmed that the agreements they entered into in the previous Economic Plans involving SCI under the *Job Protection Act* would continue, unless superseded by this Economic Plan. They agreed to continue deferring the outstanding property taxes of approximately (Prince Rupert) $11.22 million and (Port Edward) $1.1 million (deferred Property Taxes), including penalty and interest accrued at the prescribed rate, as of December 31, 1998, until December 31, 1999. Commencing January 1, 2000, they agreed to accept 48 monthly principal payments, each equal to 1/48 of the total deferred Property Taxes, as full and final payment of the Property Taxes.

   Commencing January 1, 1999, they agreed to accept 12 monthly principal payments as full and final payment of 1999 Property Taxes, and to treat the 12 1999 property tax payments received as if they were current payments and, therefore, not charge a penalty because of tax arrears still outstanding. They agreed that as long as the repayment schedule was kept current, they would treat the property tax payments that would be received in July of 2000 to 2003

inclusive as if they were current payments, and therefore not charge a penalty because of tax arrears still outstanding. As long as the repayment schedule and the property tax payments due in July of 2000 to 2003 inclusive were kept current, they agreed to postpone any proceedings on a tax sale of SCI assets.

5. Skeena Cellulose Inc., Buffalo Head Forest Products Ltd. and Orenda Logging Ltd. confirmed that the agreements they entered into in the previous Economic Plans would continue, unless superseded by this Economic Plan. They committed to making payments towards current and deferred stumpage and road construction, and to making payments towards the 1999 property taxes deferred in this economic plan. They also committed to making the payments towards the deferred Prince Rupert and the deferred Port Edward property taxes, and to making payments towards the deferred WCB charges.

Date authorized: March 12, 1999
Date in force and effect: March 25, 1999

Terminal Forest Products Ltd.

Terminal Forest Products Ltd. (TFP) was established in 1955 and employs approximately 350 people in the Richmond area. Under the ownership of Mr. Asa Johal this private company now operates a cedar mill, a custom sawmill and a value-added remanufacturing facility. The company has two forest licences; one in the Soo TSA and the other in the Sunshine TSA.

Within the Soo TSA, the wood in three cutting permits is of rather poor quality, averaging over 50 percent pulp, and access to the wood is limited to five to six months per year. Similarly, the cutting permits within the Sunshine TSA feature poor wood in remote areas enduring high logging costs for the four to five months that it is accessible each year. TFP had undercut both licences in 1997 and 1998 due to poor economic conditions. If the five cutting permits in question were not harvested in 1999, the company's cut for the year in the Soo TSA would only be 38 percent and in the Sunshine TSA it would be 56 percent. This undercut problem would make it a challenge for TFP to harvest sufficient volumes in both 2000 and 2001 in order to meet its cut control requirements.

Operating within five cut blocks in these two areas, if TFP only harvested 89,943 m^3 of wood in 1999, it would sustain a large loss on logging. The company proposed to the JPC that if it was permitted to export 33,438 m^3 or 37 percent of this volume, it would reduce its loss to a manageable amount. Increasing its harvest to the requested amount would result in direct employment in harvesting for up to 60 people and the Province would receive $1,089,551 in stumpage payments.

As a result of the projected 1999 harvest, 56,506 m^3 of wood would be available within the domestic marketplace. Given the geographic location of its licences, the company offered its fibre for sale to a variety of businesses on the Sunshine Coast and in the Squamish/Pemberton area. These companies were dependent upon having accessibility to this wood which would only occur if TFP harvested a reasonable amount in 1999.

The purpose of this Economic Plan was to address the economic problem confronting the business while generating economic activity and employment in the forest sector.

Components of Plan:

1. Ministry of Forests, in order to stimulate logging activity and to increase the supply of logs for domestic mills, considered the approval of one or more ministerial orders for the export of hemlock, balsam and fir, to a maximum of 37 percent of the timber harvested from the cutting permits 47, 48 and 50 within Forest Licence A19215 and cutting permits 67 and 76 within Forest Licence A19229, with 63 percent going to the domestic market. The exports would only be permitted for the period between the authorization of this Plan and December 31, 1999, if the Minister or his designate was satisfied that the fibre from Forest Licence A19215 and Forest Licence A19229 was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. Ministry of Forests required a payment of a fee in lieu of manufacturing of \$1/m^3 on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. Terminal Forest Products Ltd. agreed to apply best efforts to harvest a minimum of 89,943 m^3 from cutting permits 47, 48 and 50 in FL A19215 and cutting permits 67 and 76 in FL A19229 in 1999 and to offer at least 63 percent of the timber harvested from those tenures to the domestic industry, including TFP's own mills, and to maintain a level of employment consistent with historical personnel requirements in harvesting FL A19215 and FL A19229 during 1999. It agreed to keep its stumpage account current at all times, and to provide monthly employment statistics per forest licence to the JPC. It agreed to spend \$3 million to \$5 million to expand Terminal Sawmill on Mitchell Island that would create approximately 48 person months of construction work and four permanent production jobs in 1999, and to endeavour to maintain the current level of employment at Terminal's Langdale Dryland Sort. Terminal spent \$3.2 million to expand the site which created approximately 23 person months of construction work and created three permanent IWA production jobs in 1999. This expansion made it possible to pursue additional sorting work that resulted in 34 additional jobs in 1999.

   Terminal agreed to have discussions with IWA Canada, Local 2171, to protect the present jobs at Mitchell Island Forest Products Ltd. These discussions could include the possibility of transferring the work and employees to Terminal Planer Mills Ltd. without loss of rights under the collective agreement. It agreed to use best efforts to increase

production and sales of red cedar products by 25 percent at Terminal sawmills. This would allow Terminal Sawmills to operate on a five day per week basis. It also agreed to increase 1999 logging operations, which would protect 60 logging jobs, 32 of which are IWA jobs in the Squamish Valley.

3. The Truck Loggers' Association endorsed the Economic Plan.

4. IWA - Canada, Local 2171 endorsed the Economic Plan.

Date Authorized: July 28, 1999
Date in Force and Effect: August 5, 1999

Thompson Creek Mining Ltd.

The Endako Mine is located 190 km west of Prince George and 8.5 km southwest of the Village of Endako near Highway 16, the road that connects Prince George with Prince Rupert. It is an open pit mine and is one of the world's largest primary producers of molybdenum and the only primary producer of molybdenum in Canada, with a throughput of 27,000 tonnes per day. Construction of the mine commenced in 1964 and production started in May 1965. The mine has been in continuous operation since that time with the exception of a brief period in the early 1980's due to poor worldwide economic conditions, although Endako was able to maintain a continuous supply of product from inventory. Endako Mines Ltd. (NPL) amalgamated with Placer Development Limited in 1971 and eventually became a division of Placer Dome Canada Limited.

In 1997, Thompson Creek Mining Co. of Colorado and Nissho Iwai Moly Resources Inc. of Japan formed a joint venture (75 percent/25 percent) and acquired the mine from Placer Dome. Funding for the acquisition was provided through Thompson Creek Mining Ltd. by Nissho Iwai Corporation of Montreal, with Montreal Trust acting as escrow agents. The agreement called for semi-annual payments of US$2.109 million that commenced January 10, 1998. The company employed 257 people. However, because of an over supply of molybdenum in world markets combined with a sharp decline in metal prices from over US$4/lb in 1997 to the current level of approximately US$2.50/lb, the company decided to reduce the mine's production by one third. Employment levels dropped to 198. Given the current metal prices, there was the distinct possibility that the mine would close. Low metal prices would preclude any profits being made in the near future, or for the repayment of borrowed funds. The JPC was approached to provide assistance in restructuring some of the operating costs as an alternative to shutting down the mine and terminating all the employees.

The consulting firm of H. A. Simons Ltd. was engaged to conduct the study, which consisted of a review and analysis of the operational and financial viability of the mine. The consultants concluded that the mine operation would be viable under normal operating conditions. To improve cash flow during the current period of low metal prices, concessions would be required in expenses such as power, consumable supplies, outside services and property taxes. Additional concessions in terms of restructuring of the long-term debt would also be required to keep the mine operating and preserve the 198 direct jobs.

This Economic Plan, which would expire five years from date of approval, was intended to define what commitments were necessary from the various stakeholders to enable the Endako Mine to continue operating while metal prices were low.

Components of the Plan:

1. Thompson Creek Mining Ltd. agreed to employ reasonable commercial efforts to maintain mine operations at the Endako Mine site during the term of the Plan, and to maintain the current arrangements of remittance and response to cash calls with Thompson Creek Mining Co. It agreed to negotiate discounts on goods and services supplied to the project, with a target level of $250,000 in cost savings, and to arrange for a five percent roll-back of management salaries for a period of one year. In addition, a five percent reduction in remuneration expenses would be achieved through the cancellation of shift differentials, bonuses and profit-sharing for all staff for the same period. It was estimated that, as a result of all of these concessions combined, there would be a cash flow improvement of approximately $1.2 million. The salary roll-back would be repaid during the following year of the Plan.

   Thompson Creek Mining Co. agreed to postpone all dividend payments, repayment of shareholders' loans or any other removal of equity from the company, and defer making any advances or loans to the related companies except as provided for in this Plan, without the prior written consent of the Job Protection Commissioner. It also agreed that there would be no effective transfer of ownership or control of the company without the prior consent of the Job Protection Commissioner. This consent would not be unduly withheld. Finally, it agreed that the Plan would be terminated on the repayment to the respective stakeholders of all deferred monies contemplated by this Plan.

2. Thompson Creek Mining Co. owed approximately US$27.5 million to Nissho Iwai Corp. as at January 14, 1999, under an Escrow Agreement lodged at Montreal Trust. This Agreement required semi-annual principal payments of US$2.109 million plus accrued interest on January 10 and July 10 each year until maturity on July 10, 2005. In the interest of ensuring continued support for the company, Thompson Creek Mining Co. agreed to maintain the current arrangements of remittances and responses to cash calls with Thompson Creek Mining Ltd., and in the event that Thompson Creek Mining Ltd. was unable to maintain the repayment schedule from cash flow as contemplated in the Escrow Agreement, Thompson Creek Mining Co. would ensure that any shortfall in the repayment schedule would be covered, if necessary, in accordance with existing agreements.

3. Nissho Iwai Moly Resources Inc. endorsed the plan.

4. B.C. Hydro and Power Authority agreed to provide the Endako Mine Site with a reduction of 50 percent in Hydro costs for power used in the operation of the mine for a period of up to two years. This discount could be canceled or required to be repaid by the Job Protection Commissioner, depending on the fluctuating prices for metals and the exchange rate. It agreed that any recapture of funds as a result of major metal price increases or currency fluctuations, would not be payable until all payments under the Escrow Agreement by Thompson Creek Mining Ltd. were deemed to be in current standing, as determined by the Job Protection Commissioner and the repayment of these funds would be in the form of a 50 percent surcharge over the hydro bill otherwise payable while the Plan was in force and effect.

5. Ministry of Energy and Mines agreed to reduce by 50 percent the mine health and safety inspection fees for a period of two years. It agreed that there would be no increase in the reclamation bonding requirement for a period of two years, provided there was no material change in the mine plan which would significantly increase the potential liability to the Province.

6. Ministry of Finance and Corporate Relations agreed to defer 25 percent of the annual school tax collectable by the Village of Fraser Lake and 25 percent of the tax portion of the property tax bill applicable for the mill site collectable by the Ministry of Finance and Corporate Relations for each of 1999 and 2000, with repayment of the deferred amount in each of 2001, 2002 and 2003 at the same time current taxes were due and payable. Interest charges would be levied at the prescribed rate for overdue taxes, but no penalties for late payment would be assessed.

7. The Village of Fraser Lake agreed to defer 25 percent of the property taxes for the mill site payable for each of 1999 and 2000, with repayment of the deferred amount in three equal annual payments plus interest in each of 2001, 2002 and 2003 at the same time current taxes were due and payable. Interest charges would be levied at the prescribed rate for overdue taxes, but no penalties for late payment would be assessed. It acknowledged the impact of the Plan on the B.C. Hydro Grant in lieu of taxes for the period of the discount, which was estimated to be approximately $20,000 per annum.

8. The Regional District of Bulkley Nechako agreed to defer 25 percent of that portion of the property taxes for the mill site collectable by the Village of Fraser Lake on behalf of the Regional District, payable for each of 1999 and 2000, with repayment of the deferred amount in three equal annual payments plus interest in each of 2001, 2002 and 2003 at the same time current taxes were due and payable. Interest charges would be levied at the prescribed rate for overdue taxes, but no penalties for late payment would be assessed.

Date Authorized: January 22, 1999
Date in Force and Effect: February 2, 1999

Thomson Industries Ltd.

Thomson Industries Ltd. (TIL) is part of the Clarke Group of companies, the President of which is Fred Clarke. The company holds a forest licence in the North Coast Forest District and has been operating in a number of drainages since 1988, employing approximately 17 people. The Annual Allowable Cut (AAC) was 30,696 m^3, however, apart from a small cedar harvesting operation, the company had not harvested during its current five year cut control period which started in 1997. This was attributable to high costs in operating in this remote region combined with low domestic log values. The end result was that the company was in year three of the cut control period and had only harvested 36,627 m^3 of the five year cut total of 153,480 m^3. To avoid the penalties inherent with an undercut and to create employment, the company wanted to commence harvesting.

The geographic location of the licence restricted the time that the company could conduct harvesting. In 1999, the company proposed to harvest 74,212 m^3 from three cutting permits over five months. Based upon current domestic log prices, the company would lose an excessive amount if it sold its output solely into that market. The proposal was that the company would be permitted to sell 37,106 m^3 into the export market (50 percent) while the remaining 37,107 m^3 (50 percent) would be available for domestic consumption. This would reduce the company's estimated accounting operating loss to a manageable amount.

The purpose of this Economic Plan was to address the economic dilemma that the company was facing while generating economic activity in the forest sector.

Components of Plan:

1. Ministry of Forests, in order to stimulate logging activity and to increase the supply of logs for domestic mills, considered the approval of one or more ministerial orders for the export of a maximum of 50 percent of the timber harvested from the forest licence and three cutting permits, with 50 percent going to the domestic market. The exports would be authorized only for the period between the authorization of this Plan and December 31, 1999, if the Minister or his designate was satisfied that the timber from the lots was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. It required payment of a fee in lieu of manufacturing of $1/$m^3$ on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. Thomson Industries Ltd. agreed to apply best efforts to entirely harvest timber from its forest licence and cutting permits by December 31, 1999, and to offer at least 50 percent of the timber harvested from those cutting permits to the domestic industry and to maintain a level of employment consistent with the planned personnel requirements. It also

agreed to keep its stumpage account current at all times, and to provide monthly employment statistics for its forest licence to the JPC.

3. The Truck Loggers' Association endorsed the plan.

Date Authorized: August 4, 1999
Date in Force and Effect: August 18, 1999

Timfor Contractors Ltd. #1

The company conducts a type of ecologically sensitive logging by utilizing a method which leaves young and selected trees standing, and minimizes site damage. It allows harvesting of up to 60 percent of the fibre in a stand without affecting biodiversity or requiring any clear cutting. In recognition of the efforts to establish these progressive logging methods, Forest Renewal B.C. (FRBC) provided training grants and the B.C. Science Council provided funds for an independent review to assess and report on the logging methods. The unique methods also involved increased initial forest engineering costs. A workforce of 35 was trained and reasonably experienced in the logging methods. The company was optimistic that it would be the first in B.C. to gain Eco-Certification and establish a practical method for others to follow.

The operation, which is located in the Campbell River area, had been moderately profitable. However, because of the high initial costs, some lack of control of contractors in road building design, and a drop in the market price of logs, the operation did not generate the level of profit anticipated. Consequently, financing was not repaid as expected and funding was not available to finance the initial expenses for the 1999 season. Without support, operations would not have been able to commence in March 1999.

To assist in meeting its obligations, the company arranged to sell harvesting rights on a Forest Licence (Call Inlet) and, in anticipation of completion of this Economic Plan, FRBC reimbursed the company for some unique costs incurred in establishing the operation. The resulting funds were used to retire overdue trade payables. The chartered bank arranged significant reductions in the scheduled repayment of its loans. However, additional assistance was required if the operation was to continue in 1999.

This Economic Plan was developed to obtain the cooperation of a number of participants to assist in the re-establishment of logging and ensure both a viable operation and the orderly repayment of the amounts that remained at the completion of the 1998 operation.

Components of the Plan:

1. Ministry of Forests agreed to defer payment of 1998 stumpage of approximately $175,000 plus interest until June 2000 and then accept six equal monthly payments of the deferred amount plus interest, due the first of each month from July 2000 to December 2000 inclusive to retire the deferred amount in full. It agreed to defer payment of 50 percent of the stumpage generated from 1999 operations up to a maximum of $175,000 plus interest, until June 2000 and then accept six equal monthly payments plus interest, due the first of each month from July 2000 to December 2000 inclusive to retire the deferred amounts in full.

   In addition, Ministry of Forests agreed to prepare an Order in Council with respect to a Standing Green Application for Timfor Contractors Ltd. to allow it to export up to 16,000 m^3 of the estimated 63,000 m^3 it would harvest until December 31, 1999 on its forest licence, and take it forward to Cabinet with a favourable recommendation from the Minister, and to set the fee in lieu of manufacturing charge at $1/$m^3$.

2. The Royal Bank of Canada confirmed the amendment of the terms of repayment of the term loan to reduce the required payment from $25 to $11.75 per m^3 of completed sale for 1999 log sales, and agreed to continue to accept $11.75 per m^3 of completed sale in 1999 of 1998 logs for application against the term loan. It agreed to permit the company to retain the initial payment on the sale of the harvesting rights on the Call Inlet Forest Licence for reduction of overdue trade payables and general operating purposes, and to maintain a $500,000 line of credit in favour of Timfor Contractors Ltd., subject to normal bank lending guidelines, on a basis of no further deterioration in the overall financial position of the company. It also agreed to advance an additional $400,000 operating line of credit (on terms satisfactory to the Bank) which would be available until the end of 1999.

3. Timfor Contractors Ltd. agreed to execute additional security or assignment documentation regarding the balance receivable from the sale of the harvesting rights of the Call Inlet Forest Licence if required by the Royal Bank, and to meet payments as outlined above to retire deferred stumpage.

4. IWA Local 1-71 endorsed the plan.

Date authorized: March 2, 1999
Date in force and effect: March 12, 1999

Timfor Contractors Ltd. #2

Timfor Contractors Ltd. (Timfor) conducts a type of ecologically sensitive logging by utilizing a method which leaves selected trees standing, minimizes site damage and protects the visual quality of the hillside as viewed from the boating routes on the strait north of Campbell River. A field audit of the process has been completed by the Forest Stewardship Council (FSC), and the company expects to be the first in B.C. to receive FSC Certification.

In recognition of the efforts to establish these progressive logging methods, Forest Renewal B.C. (FRBC) provided training grants and the B.C. Science Council provided funds for an independent review to assess the logging procedures. However, because of initial high costs, some lack of control of contractors in road building design, and a drop in the market price of logs, the operation did not generate the level of profit anticipated in 1998. Consequently accounts payable were extended and the chartered bank position was over approved limits at the beginning of the 1999 season.

To assist in meeting its obligations and permit reestablishment of the logging operation, an Economic Plan was developed and authorized in March 2, 1999. As a part of or in anticipation of that Plan, the company sold harvesting rights, FRBC reimbursed the company for some unique costs incurred in establishing the operation, the chartered bank arranged significant reductions in the scheduled repayment of its loans, and the Ministry of Forests deferred stumpage arrears and a portion of future stumpage. The IWA endorsed the Plan.

Towards the end of 1999, the operation overcame its initial problems and was functioning much as expected with slightly greater volume of production than projected. Outstanding term advances from the Royal Bank were reduced at $11.75/m^3$ as scheduled. However, stumpage billings greatly exceeded the $6.89/m^3$ level planned on by Timfor. Ministry of Forests explored and implemented several technical adjustments which lowered Timfor's stumpage rate substantially, but not to a level affordable to Timfor, given the company's arrangement to make bank loan repayments at a rate of $11.75/m^3$.

The Economic Plan was developed in cooperation with Ministry of Forests in order to enable the company to complete the harvest of its timber allocation under Forest Licence A53812.

Components of the Plan:

1. Ministry of Forests agreed to accept three consecutive monthly payments of $79,000 on or before July 31, August 31 and September 30, 2000 and one payment of $50,000 on or before October 31, 2000 to repay deferred stumpage charges of $287,000, owing from 1998 operations. They agreed to defer payment of stumpage charges incurred in 1999 and accrued interest to December 31, 1999, in excess of $477,000 until December 31, 2000. They also agreed to

accept principal payments during 2000 of $128,000 on or before January 31, $50,000 on or before February 29, $50,000 on or before March 31, $124,000 on or before November 30, and $125,000 on or before December 31, to pay the 1999 stumpage not deferred.

Ministry of Forests agreed to defer levied stumpage charges (to be billed at the full rate) in excess of $6.89/m³ in 2000 until December 31, 2000, and they agreed that, on a calendar quarterly basis, 80 percent of the average proceeds in the previous quarter from the sale of logs, in excess of $118/m³, would be applied to the reduction of any outstanding deferred stumpage accounts owing to them.

By December 15, 2000, they agreed to review the financial position of Timfor with regard to any accumulated stumpage and interest and review potential actions, adjustments or continuing deferrals that might be considered to facilitate continued operations. During 2000, they agreed to advertise a range of competitive timber supply opportunities upon which Timfor could compete, providing the company met the appropriate eligibility requirements.

2. The Royal Bank of Canada agreed to continue to require not more than $11.75/m³ of completed sale for 1999 logs (including any 1999 logs for which a sale might not be completed until 2000) for application against the term loan. They would require not more than $11.75/m³ of completed sale for logs harvested in 2000 for application against the term loan.

   They agreed to continue maintaining a $500,000 line of credit in favour of Timfor, subject to normal lending guidelines, on a basis of no further deterioration in the overall financial position of the company, and they agreed to provide an additional temporary line of credit of up to $400,000 in favour of Timfor during the period of February 1, 2000 to September 30, 2000.

3. Timfor Contractors Ltd. agreed to maintain interest payments on all the deferred stumpage accounts, and to maintain stumpage payments of $6.89/m³ on all fibre harvested in 2000. They also agreed to meet payments to retire deferred stumpage and the Royal Bank term loan, and to restrict owners salaries, management fees, dividend payments, repayments of shareholder's loans or any other removal of equity or shareholder's investments from the company to levels provided for in the business plan for the year 2000 until all deferred and current stumpage was satisfied. Finally, they agreed to provide copies of invoices to the Ministry of Forests Vancouver Region to substantiate payments.

Date authorized: December 9, 1999
Date in force and effect: December 20, 1999

Tolsons Enterprises Ltd.

Tolsons Enterprises Ltd. (TEL) is a small logging company operating out of Chilliwack. The company is a contract logger, and in addition to harvesting for other companies it is a registered company under the Small Business Forest Enterprise Program (SBFEP). Traditionally, the company employed up to 40 people in the annual harvesting of 100,000 m^3. However, in 1998, due to poor economic conditions, the harvest for TEL was only 40,000 m^3. In 1999, the company had access to five small business sales; three in the company name - A54785 (Eight Mile Creek), A53970 (Conner Creek) and A48740 (Cantelon Creek), one in the name of James V. Tolmie - A54060 (Hunter Creek) and one in the name of Timothy J. Tolmie A48741 (Cantelon Creek). All five sales had fixed stumpage rates. If the 88,065 m^3 within them were harvested in 1999 and the wood sold in the domestic market, the company would absorb a substantial loss. The company could not sustain such a loss and continue in business.

As an alternative, the company proposed that it be permitted to sell 41,774 m^3 of the 88,065 m^3 (46 percent, comprising hembal and fir) on the export market, with the fee in lieu of manufacturing set at $1/$m^3$. The company reported that those measures would reduce its loss on the harvest on the sales to an amount that TEL would be able to proceed. This would result in 46,291 m^3 (54 percent) being supplied to the domestic market, much of which may not otherwise have been harvested. The harvest from these five sales would result in 25 direct jobs being maintained during 1999. From this economic activity, the Province would receive approximately $2.9 million in stumpage revenue, which it otherwise would not have received if the sales were not harvested.

The purpose of this Economic Plan was to address the economic dilemma that the company was facing while generating economic activity in the forest sector.

Components of the Plan:

1. Ministry of Forests, in order to stimulate logging activity and to increase the supply of logs for domestic mills, considered the approval of one or more ministerial orders for the export of a maximum of 46 percent of the timber harvested from the five sales, with 54 percent going to the domestic market. The exports would be authorized only for the period between the authorization of this Plan and December 31, 1999, if the Minister or his designate was satisfied that the fibre from timber sales A53970, A54785, A48740, A48741 and A54060 was not economical to harvest and process in the vicinity of its origin, and could not be economically harvested and transported to a processing facility located elsewhere in the province. It required payment of a fee in lieu of manufacturing of $1/$m^3$ on the export of the timber, and would possibly impose other requirements, conditions and limitations in respect of the timber to be exported.

2. Tolsons Enterprises Ltd. agreed to apply best efforts to entirely harvest timber sales A53970, A54875, A48740, A48741 and A54060 in 1999 and to offer at least 54 percent of the timber harvested from those timber sales to the domestic industry and to maintain a level of employment consistent with the planned personnel requirements. It agreed to keep its stumpage account current at all times, and to provide monthly employment statistics per timber sale to the JPC.

3. James V. Tolmie endorsed the Economic Plan.

4. Timothy J. Tolmie endorsed the Economic Plan.

5. The Truck Loggers' Association endorsed the Economic Plan.

Date Authorized: July 23, 1999
Date in Force and Effect: July 29, 1999

West Fraser Timber Co. Ltd.

West Fraser Timber Co. Ltd. (West Fraser) is a fully integrated forest products company that owns and operates pulp and paper, lumber, fibreboard and home improvement centres in B.C., Alberta, Saskatchewan, Manitoba and Ontario.

One of West Fraser's operations is the Skeena Sawmills plant in Terrace. After incurring significant losses in the last half of 1996, West Fraser announced the temporary closure of that sawmill effective December 23, 1996. As a result, 190 mill workers in Terrace were laid off. On February 20, 1997 an Economic Plan was authorized. This allowed the mill to reopen at the end of February 1997.

Citing continued high log costs and low markets for hemlock lumber and pulp logs, West Fraser incurred a second extended shut down of the Skeena Sawmills plant in December 1997. A second Economic Plan was authorized on March 13, 1998, providing concessions on the cut control requirements of Forest Licence A16882 in the Nass Timber Supply Area. By allowing the company to cut less from this high cost, low sawlog-content area, the overall delivered log costs to the Terrace sawmill were reduced, enabling West Fraser to restart the sawmill on March 16, 1998. Under that Economic Plan, West Fraser agreed to use reasonable commercial efforts to continue operation throughout the remainder of 1998.

Further deterioration of lumber markets and continuing high costs forced another shutdown of the Terrace sawmill on June 26, 1998. Although the sawmill reopened on September 8, 1998, on the expectation of a third Economic Plan under the *Job Protection Act*, the economic climate had not improved enough to support full operations. The Terrace sawmill was

only running on a one-shift basis, using an Employment Insurance work share program to reduce the impact on employees and the community.

Also, the North Coast Timber mill in Prince Rupert was shut down from June 23 to July 19, 1998, and remained running at reduced capacity, averaging one shift, two days per week on an Employment Insurance sponsored work-sharing program. The Prince Rupert mill was expected to continue operating at approximately 40 percent production.

Even at this reduced capacity, the two mills would continue to lose significant amounts of money. To secure the most economical fibre supply for the short term, to protect the integrity of the company's forest tenures for an eventual return to full operations, and to provide some degree of continued employment for its logging contractors, West Fraser sought increased flexibility in how they managed their various tenures through a third Economic Plan under the Job Protection Act. Although West Fraser was proposing reduced operations, they believed that the increased flexibility under this Economic Plan would enable more milling and logging employment than would otherwise be possible in the current economic climate.

This Economic Plan was developed to describe the commitments and/or concessions required of each of the stakeholders in order to allow the continuation of at least minimal employment in the Skeena and North Coast Timber sawmills, and maximize the logging effort in the area during 1999 and 2000.

Components of the Plan:

1. Ministry of Forests, in order to mitigate some of the economic impacts of West Fraser's reduced operations, endorsed the concept of an "independent logging agreement" between West Fraser and its logging contractors whenever West Fraser was not able to harvest within normal cut control parameters on its various forest tenures in the Nass, Kalum and North Coast Timber Supply Areas, including TFL #41. It accepted that the independent logging agreements mentioned above would provide logging contractors with an opportunity to harvest timber under West Fraser's licence at their own cost, with log ownership and selling rights. At a minimum, the agreement would specify mutually agreeable conditions on fees to cover West Fraser's development and silviculture costs, and such other conditions as the parties may negotiate.

   Ministry of Forests agreed to refrain from reducing the Allowable Annual Cut (AAC) of FL A16882 (Nass TSA), FL A16820 (North Coast TSA), FL A16885 (Kalum TSA) and/or Tree Farm Licence #41 if the volume of timber harvested under those licences during calendar years 1998, and/or 1999 resulted in a deficiency in annual or periodic cut control requirements. Provided that West Fraser's sawmills in Terrace and Prince Rupert continued to operate at the levels referred to in this Economic Plan, or at alternate levels which the Regional Manager agreed were commercially necessary, and provided that, during calendar 1999, West Fraser's logging contractors had been given the opportunity to

enter into independent logging agreements, it agreed to exempt West Fraser from the requirements under FL A16882, FL A16820, FL A16885 and TFL #41 to process during calendar year 1998 and 1999 all licence-harvested timber or equivalent volume in a mill owned or operated by West Fraser.

It agreed to exempt West Fraser for calendar 1999, from the export limitation described in point one of Minister of Forest's October 19, 1990 letter to West Fraser regarding consent conditions for the assignment of Forest Licence A16882. In order to stimulate logging activity and to increase the supply of logs for domestic mills, it agreed to provide, as appropriate, in calendar 1999 and in calendar 2000, export approval by Ministerial Order for applications not exceeding 15,000 m^3 per application for logs originating from TFL #41 (Kalum TSA) and FL A16820 (North Coast TSA) on the following conditions:

(i) the same volume of logs as would be exported would be made available to the domestic industry (including pulp mills and West Fraser's own operations) from TFL #41 and West Fraser's other tenures in the Kalum and North Coast TSA's; and

(ii) logging operations remain uneconomic absent the permission to export, that is, total logging and related costs exceed total domestic log values.

In the event that logs were exported, the fee in lieu of manufacturing would be set at $\$1/m^3$. Ministry of Forests agreed to extend the relief provided above, respecting harvesting and processing, and respecting log exports, during calendar year 2000 if:

(i) West Fraser applied to the Regional Manager by the end of calendar 1999 requesting continued relief and stating the reasons it was necessary, and

(ii) the Minister of Forests approved relief in whole or in part for calendar 2000 after considering, among other things:

(a) the efforts made by West Fraser under this Economic Plan regarding milling and logging employment during 1998 and 1999; and

(b) whether the expected economic and regulatory conditions in the year 2000 warranted continuation of such relief.

2. West Fraser Timber Co. Ltd. agreed to continue to use reasonable commercial efforts throughout the remainder of 1999 and 2000 to maintain at least one shift at West Fraser's Skeena Sawmills in Terrace and approximately 40 percent of one shift capacity at West Fraser's North Coast Timber mill in Prince Rupert. It committed to supplying employment for all of the employees at both operations, subject to West Fraser and the IWA negotiating a mutually agreeable work sharing program for available work.

It agreed that if West Fraser was successful in negotiating an agreement with Skeena Cellulose Inc. (SCI) in Terrace to chip SCI's pulp logs, which would require additional shift(s), then the jobs created would be in addition to the jobs

stipulated in this plan. It agreed to resume operations on a two-shift basis at Skeena Sawmills and normal operations at North Coast Timber as soon as economic conditions were reasonable, and to apply best efforts to have at least 35 percent of normal AAC harvested under FL A16882, FL A16820, and TFL #41 during calendar 1999 and 2000, by normal arrangements or independent logging agreements with its contractors.

It agreed to give serious consideration to any proposals by its logging contractors to enter into independent logging agreements for any further volumes in FL A16882, FL A16820, and TFL #41 during calendar 1999 and 2000, up to a maximum of 150 percent of normal AAC. It committed to not harvest the 70,000 m^3 of undercut carried forward under FL A168280 by the Regional Manager's March 31, 1998 decision, with the understanding that this lack of harvest would not be a deficiency in the cut control performance of FL A16820. It agreed that the Ministry of Forests might, during 1999, dispose up to 30,000 m^3 from mutually agreed area(s) on TFL #41 on the premise that West Fraser intended to have a deficiency of at least that amount in the 1995 to 1999 cut control period.

3. IWA Canada Local 2171 recognized the need for temporarily modifying the normal cut control and timber processing requirements, as described in this Economic Plan, and agreed to work with West Fraser to facilitate the continuation of the Terrace and Prince Rupert sawmills. It only agreed to this Economic Plan based on continued employment for its members as stipulated in Section two. In the event employment levels were not maintained in any 60 day period, the IWA reserved the right to withdraw support of this Economic Plan.

4. The Truck Loggers' Association agreed to work with West Fraser as appropriate to negotiate independent logging agreements on behalf of its members, and endorsed this Economic Plan.

[Note: As a result of this Economic Plan, both the Prince Rupert and Terrace sawmills owned by West Fraser operated at levels in excess of the minimums agreed to by West Fraser throughout 1999.]

Date authorized: April 6, 1999
Date in force and effect: April 13, 1999

Woodland Windows Ltd.

Woodland Windows Ltd. (Woodland), owned by the Byl family, has had a manufacturing presence in Prince George region since the late 1960's. The original operation set up by Peter Byl involved a window manufacturing business which later expanded into the production of edge glued panels and furniture components. In light of the expanding product line, the company started a sawmill in 1981 in order to supply the sizes of sawn lumber required to reduce the amount of falldown it was experiencing in the lumber it was receiving from dimension lumber manufacturers in the area.

The establishing of the sawmill meant that the company became more and more reliant on accessing an appropriate supply of logs either directly from small business sales and/or by selling surplus logs and acquiring sawn lumber. Faced with increased stumpage costs and a marketplace for its products which resisted the passing on of additional costs, Woodland experienced uneven operating results during the 1990's, culminating in a large loss in 1996. This result had been manifested in an unpaid and escalating stumpage account with the Ministry of Forests.

In May 1997, an Economic Plan was put into place for Woodland in an attempt to restructure the existing obligations to the provincial government so that the company would be in line with the projections in the company's business plan. The business plan was reviewed by an outside consultant and the basic assumptions were deemed to be reasonable and the expected results achievable.

In the second half of 1997, it became apparent that Woodland was not going to achieve its expected operating results as costs continued to escalate, the market for its surplus logs sagged and the marketplace for its finished products was soft. In view of the poor performance, in May 1998, the company's bank placed Woodland on notice that it wished to be repaid in full on its operating loan by September 1999. This has placed a further strain on the firm's working capital and made it more difficult for Woodland to continue operations. In late 1998, Woodland was awarded TSL A55448 as a value-added sale, however, the normal deposit of $600,000 would prove problematic given the bank's reduced assistance. In 1999, Woodland had a deposit of $262,001.92 on TSL A55117 which also exacerbated its working capital problem. The purpose of this Economic Plan was to deal with the issue of deposits on timber sales in an effort to keep Woodland operational.

Components of Plan:

1. Ministry of Forests agreed that a deposit of $75,000 would satisfy that requirement under TSL A55448. They also agreed to reduce the required deposit on TSL A55117 to $75,000 from the $262,001.92 held, and to transfer $75,000 from the deposit presently held on TSL A55117 in satisfaction of the deposit requirement. They agreed to apply the residual surplus deposit of $112,001.92 on TSL A55117 to the accrued stumpage account number 26174-04 of Woodland.

2. Woodland Windows Ltd. agreed to make a best effort to maintain operations and employment at the existing levels.

Date authorized: January 19, 1999
Date in force and effect: February 2, 1999

COUNSELLING

- ABEDA Forest Products Ltd.
- Agrimarine Processing Inc.
- Autumn Industries Inc.
- Chai-Na-Ta Corporation
- Gateway File Systems Inc.
- Halcyon Health Spa Ltd. .
- J & L Beef Ltd.
- Kispiox Forest Products Ltd.
- Looker Industries Ltd. and
  Roofteck Shake & Shingle Ltd.
- Loveless Logging Ltd.
- Methanex Corporation
- Mount Seymour Resorts Ltd.
- Northern Shuswap Development Corp.
- Ocean Blue Cedar Products Ltd.
- Point Hope Shipyard Company Ltd.
- Quinsam Coal Corporation
- Simpcw Development Co. Ltd.
- Sound Structures & Supply Ltd.
- Synergy Pacific Wood Solutions Inc.
- Takla Development Corporation
- Telegraph Cove Resorts Ltd.
- The United Group of Companies
- Zeidler Forest Products Ltd.

ABEDA Forest Products Ltd.

ABEDA Wood Products Ltd. (ABEDA) is a value added wood manufacturer situated in Kelowna, employing 37 people. The company produces a wide variety of specialty wood products including furniture stock, industrial products, siding and Japanese housing components. In addition, the company produces panels and solid wood flooring.

ABEDA had a timber sale in the Fort St. John area but had difficulty securing a logs for lumber trade with any of the majors in the area, which made economic sense. As a result, ABEDA was facing a cash flow problem, and the company approached the JPC for possible assistance. In February 1999 a consultant, Jim McWilliams, was contracted to conduct an operational and financial review of ABEDA. The review was generally positive, but cautioned that cash flow could become a problem if forecasts were not met. Further action by the JPC was placed in abeyance.

Later in the year, the company reported continued working capital deficiencies and asked the JPC for help. Again, the consultants were engaged to conduct an update of their previous review. However, on this occasion, ABEDA did not agree to the terms of the engagement and declined to proceed.

Agrimarine Processing Inc.

The Agrimarine group was formed in the mid 1980's to enter into the aqua-culture industry. It employs 125 people. The financial participants in the group consisted of a major private investor, Venture Capital Corporation (VCC) investors, limited partners and a partnership with a major multinational aqua-culture and feed organization. The operations consisted of a fish hatchery and salmon farming operation. Later the assets of a salmon smoking plant were purchased and expanded into a multi-purpose fish processing plant.

Severe losses were experienced in 1996/97, largely resulting from a series of plankton blooms that damaged salmon stocks. Consequently, the hatchery and farms were sold and the remaining operations reorganized leaving the processing plant near Campbell River as the primary asset.

The processing plant was struggling to maintain operations and was faced with continuing financial and operations problems. The JPC was approached to seek some relief and assistance in resolving the issues.

Negotiations were undertaken with the unionized staff to seek some financial relief from labour costs. New term financing through Fisheries Renewal B.C./Community Futures was sought to supplement working capital and fund new marketing initiatives. Discussions were undertaken with the municipality regarding cost reductions incurred in waste water disposal

procedures. Though the negotiated term financing advanced unilaterally, these activities were ultimately anticipated to result in an Economic Plan. In the interim period, working capital was enhanced, marketing activities undertaken and preliminary agreement reached on waste water solutions. The company continued to operate during 1999.

Autumn Industries Inc.

Autumn Industries holds the rights to a wood waste gasification system. To augment the slowly developing gasification business, the well established Interior Mill Equipment (1985) Ltd. industrial machine shop in Grand Forks was acquired.

Reduced activities in the pulp and sawmill sectors, which employ 80 people, restricted the profitability of the machine shop operation. Consequently the machine shop could not carry the overheads associated with the overall corporate undertakings.

Refinancing and loan guarantees were explored, but a concrete viable plan to support the combined operation was not developed. It was expected that the machine shop would be reestablished as a separate entity, and promotion of the gasification technology only pursued on request or returned to the European licencees.

Chai-Na-Ta Corp.

Chai-Na-Ta Corp. started operations in 1981 without significant government support, and has grown to be the largest producer of North American ginseng in the world. It employs 470 people, and has been a leader in product research and development of value-added products. The company has some 1,400 acres (1,200 in Langley) under cultivation directly or through contracts with other farmers. Dropping prices for the company's product, fully extended bank loans and significant resources tied up in crops which require four or five years and additional funding to bring to maturity, resulted in serious short term financial problems in 1999. The Provincial government and the JPC were approached for a $5 million loan to provide relief.

The MCSI Consulting Group was retained to provide an independent assessment of the situation. There was much debate regarding the appropriateness of government loans to assist the company. The amount of immediate funding needed was very large and the future world prices were uncertain. Furthermore, there was concern that government funding to Chai-Na-Ta could adversely impact on growing competitors in B.C., who were also facing depressed world market prices.

Eventually it was decided to let market forces resolve the situation. It was recognized that this could result in the bankruptcy of Chai-Na-Ta.

Gateway File Systems Inc.

Gateway File Systems Inc. is located in Victoria and has six employees. The company was established in 1981 to convert records into electronic format. Much of the work was obtained from government agencies, and by the mid 1990's most of the government conversion work had been completed.

The company had anticipated some reduction in revenue from the established sources, and therefore proceeded to develop a number of proprietary applications as the file conversion business declined. It was expected that the development work would be financed by a convertible debenture. However, less than half of the anticipated investment funds were eventually received. Furthermore, a remaining moderate sized government contract was postponed. Consequently the company faced an intolerable cash position and a demand on its bank loans.

To seek relief, the company negotiated the sale of a part of the technology it had developed. In addition, the Province was approached for a loan or loan guarantee. The enquiry was referred to the JPC. Contact was maintained with the company and creditors, as efforts were made to obtain "fill in" contracts pending completion of the anticipated partial sale and receipt of receivables and tax credits. By the end of 1999, the company appeared to be working its way out of its very difficult situation, and the continuation of a modest operation seemed possible.

Halcyon Health Spa Ltd.

Halcyon Hot Springs is a new hot springs resort located on the eastern shores of Upper Arrow Lake in the West Kootenays, 32 km north of Nakusp on Highway 23. It employs 24 people.

Ulf and Sabine Burnmeister acquired the property in 1997 and commenced construction of a high-end resort to replace the resort that had been destroyed by fire in 1955. Phase One of the re-development of this 34 acre site was opened in March 1999 and consisted of pools, RV and tent campground, chalets and cabins. Original cost estimates of $2.5 million, provided by contractors and others, escalated to over $6 million. As a result of cost overruns, design changes, upgrading and some infrastructure for later phases, all available funds were depleted.

Halcyon approached the JPC for assistance in restructuring its finances. Inntegrated Hospitality Management was retained to provide an assessment of the company's financial situation. A development company was identified who offered to manage the subdivision of the property and to sell recreational lots which would provide cash flow for Halcyon. The JPC was successful in releasing a portion of the cash deposit held by B.C. Hydro which aided cash flow.

J & L Beef Ltd.

The company is located in Surrey and is the only federally inspected meat packing plant in B.C. It employs 150 people. In March 1999, the company approached the JPC as it was facing financial difficulties. The firm had just completed a major capital program in 1995, however, it continued to sustain losses.

The company, the Ministry of Agriculture and Food and the JPC engaged a consultant, Pareto International, to conduct an operational and financial viability review of the business. The consultant's report stated that a comprehensive business plan was required. The consultant was engaged to work with the company in the development of the business plan.

In September 1999, the business plan was completed and it hinged on a change in direction for the business along with a management buyout of the current owner. At the end of December, nothing concrete had developed and the bank was making signals that it would be moving to crystallize its security.

Kispiox Forest Products Ltd.

Kispiox Forest Products Ltd. (KFP) operates a sawmill in New Hazelton, employing 80 people. The mill closed in June 1995 when a major fire destroyed its operating capacity.

After extensive negotiations, and with the help of a March 6, 1996 Economic Plan, the mill was rebuilt and restarted operations in June 1996. This new mill was designed and built to accommodate larger logs. Due to the recent industry wide decline in the forestry sector and a lack of a secure supply of larger diameter logs the company, in 1997, lost money on an accounting basis but broke even from a cash flow standpoint. In 1998 KFP suffered a large cash loss. During that period, the company's major shareholder injected $1 million additional cash into the business and converted $3 million of debt to preferred shares.

As a result of the continuing large losses being suffered by KFP, one of the company's main creditors, a chartered bank, demanded repayment of its operating facilities in November 1998, with a three month horizon. Concurrent with that, the company, under the direction of the chartered bank, sought protection from its creditors under the *Bankruptcy and Insolvency Act*. The chartered bank has since been paid off in full.

The other major secured creditors have tentatively agreed to leave their advances in place and are prepared to work with KFP to resolve the current situation. They are prepared to extend the repayment terms on their loans to accommodate the needs of the business. In June 1999, the company's unsecured creditors voted to accept a proposal by the company to repay the existing debt in full over time.

The mill currently is closed as the majority of its liquidity was drained to repay the operating loans in full. Although KFP has been unsuccessful in attracting a financial institution to provide financing for a working capital loan, the principal is continuing to try to find sufficient capital to restart the mill.

The JPC engaged an independent industry consultant, Peter Drake and Associates, to review the needs of KFP. He confirmed that KFP appears to be financially viable over the medium and long term and should be able to service and repay its outstanding debts. At year end the JPC was continuing to work with KFP to try to put together an Economic Plan that would allow the operation to restart.

Looker Industries Ltd. and Roofteck Shake & Shingle Ltd.

The two companies are located in Ucluelet and employ 22 local residents. Looker Industries Ltd. has been working with salvage wood for almost two decades and Roofteck Shake & Shingle Ltd. manufactures shake and shingles. Company management came to the JPC in late 1997 as they were facing severe financial difficulties.

In February 1999, the JPC engaged a consultant, Mel-West Consulting, to undertake an operational and financial viability review. The review was completed in April with the conclusion that the companies would be viable if the current debt load could be restructured. Efforts to access alternative sources of funding continued through September without success. At that point, the company had entered into substantive discussions with a local First Nations band to acquire an equity position in the businesses. At year end these discussions continued.

Loveless Logging Ltd.

The company is a post and pole manufacturer located in Fernie where it employs up to 22 people. In June the firm was referred to the JPC by the Ministry of Forests as it was experiencing financial difficulties.

The JPC engaged a consultant, Nicholas Crisp & Associates, to conduct an operational and financial viability review of the operation. The review was completed in August and concluded that the debt load made the future of the business precarious and new equity needed to be injected.

In the latter part of the year, the JPC was advised that new ownership had acquired the operation. No further role was required from the Commission.

Methanex Corporation

The company is the world's largest manufacturer of methanol. It operates a plant in Kitimat where it employs 127 workers. The company was referred to the JPC in April 1999 by the Ministry of Energy and Mines as the Kitimat plant had become uneconomical.

A consultant, Erythana Ventures Corp., was engaged in June to conduct an operational and financial viability review of the plant. The report was completed in September. The report concluded that while the plant was efficient, the cost of production exceeded the global value of the methanol produced and this would likely continue in the future. Since that time, the company has been in discussions with the various stakeholders, in an effort to determine an appropriate course of action. The JPC is prepared to provide further assistance once the company has made a decision.

Mount Seymour Resorts Ltd.

Mount Seymour Resorts Ltd. (MSRL) operates a downhill ski area in Mt. Seymour Provincial Park under a Park Use Permit issued by the Ministry of Environment, Lands and Parks (B.C. Parks). The park is located in North Vancouver, and employs 388 people. In 1995, while under contract to the JPC, Lynnpeaks Consulting Ltd. (Lynnpeaks) produced a viability assessment and series of recommendations that led to a JPC Mediation Plan involving, among others, MSRL and B.C. Parks. The effect of the Mediation Plan was positive and resulted in MSRL significantly improving its financial performance. However, the owners of MSRL did not believe the long-term financial viability of the mountain had been resolved, and requested further assistance from the JPC.

The JPC requested a second review by Lynnpeaks which resulted in a report dated October 31, 1999. The report confirmed the utility of developing a new Mediation Plan involving B.C. Parks and MSRL.

By year end the JPC had prepared a draft plan to define in general terms the commitments by each of the interested parties, and that plan was being reviewed by MSRL and its advisers. Based on the findings of the Lynnpeaks report and subsequent analysis by MSRL, the combined benefit of the commitments contained in the plan will be to allow MSRL to create a viable operation. Assuming the plan can be finalized, the net result will be to retain a valuable recreational resource in the Park, and protect the jobs of approximately 388 full and part time employees.

Northern Shuswap Development Corp.

The company is wholly owned by the Williams Lake Indian Band of the Secwepemc Nation. It operates a sawmill under the name of Sugar Cane Wood Products which manufactures pallet stock, web stock and finger jointing stock. It employs 14 people.

The firm approached the JPC in April 1999, as it was facing financial difficulties. A consultant, Mel-West Consulting, was engaged in July to undertake a financial and operational viability review of the business. The report was completed in September and concluded that the debt load was such that the owners would need to either put in more equity or agree to guarantee further borrowings. The owners of the mill indicated a reluctance to put any further funding into the company. The Commission is no longer involved.

Ocean Blue Cedar Products Ltd.

Ocean Blue Cedar Products Ltd. (Ocean Blue) has operated a shake and shingle mill on the Campbell River Estuary since 1974. An associated company, Anglo-American Cedar Products Ltd., of Mission, leases 1.05 acres of foreshore land in the Campbell River estuary on a five year renewable lease from the Province (B.C. Assets and Land Corporation) as part of Ocean's operations. Log booms are brought to the property at high tide (13' or higher) and these logs are later removed to dry land with the aid of a 950F log loader at a 9' or less tide, where they are processed into shakes and transported to Anglo-American Cedar in Mission. The operation was reported to be profitable and employed 30 people. The foreshore lease expired in February 2000, and B.C. Assets sought input from interested parties prior to its renewal, including the District of Campbell River, and Fisheries and Oceans Canada (FOC).

FOC had concerns that the area in which Ocean Blue operated, was environmentally sensitive and that current operations were detrimental to the fish habitat. FOC supported the concept of industry relocation away from the estuary.

The JPC was asked to review the options available and to recommend a course of action that would address the concerns of all stakeholders. A consultant, TFC Consulting Ltd., was engaged to conduct a study on the options available to Ocean Blue. There was a general consensus that industry should relocate away from the estuary by 2006 as per the original Campbell River Estuary Management Plan. The study concluded that the relocation of Ocean Blue to an alternate site at the present time was not feasible, either financially or operationally. Taking into consideration the varying interests and priorities of stakeholders, the foundation for a Mediation Plan was provided.

Point Hope Shipyard Company Ltd.

Located in Victoria, the company employs 150 people in its ship manufacture and repair operation. The business was acquired by new ownership in 1997 and while they have returned the company to a profit position, working capital remained tight.

The firm approached the JPC in March 1999. The Commission and the company engaged a consultant, Ganhada Management Group, in April to undertake a financial and operational viability review of the shipyard. The report was completed in May. The consultant's report was favourable and concluded that the company needed an increased operating line if it was to take advantage of the opportunities it had identified. The company approached a number of lenders over the next few months with the concept that a portion of the loan would involve a partial guarantee from the provincial government. At year end, no bank was prepared to offer financial assistance. The JPC continues to work with the principals.

Quinsam Coal Corp.

Quinsam Coal Corp. owns the Quinsam Coal Mine located 28 km west of Campbell River on Vancouver Island. It employs approximately 110 people. The mine produces high volatile bituminous "A" coal, well suited for thermal power stations and industrial users such as cement plants, and also PCI coal (pulverized coal injection) for steel making operations. The mine has proven probable reserves of 36 million tonnes of coal, and has a target of one million tonnes of coal a year. The mine started as an open pit mine in 1989 and was converted to an underground operation in 1994.

In 1998, the company was experiencing financial difficulties as a result of significantly lower coal prices, compounded by operational difficulties, lower coal production and declining productivity. Action began to reverse this trend and improve the financial position of the company. In July 1998, Quinsam had to lay off more than two-thirds of its staff and reduce the number of shifts. Some of the laid off operational workers were later rehired. The principals approached the JPC for assistance in restructuring the company's finances. In December 1998, the JPC undertook an action plan that consisted of an independent assessment and evaluation of the Quinsam Mine and the development of an Economic Plan. The consulting firm of Ernst & Young Corporate Finance Inc. was engaged to conduct the study, which concluded that the mine operation could be viable providing the finances are restructured and operational efficiencies are achieved through the acquisition of more efficient equipment. An Economic Plan was developed with the general consensus of the stakeholders, however, the Plan fell apart when one of the intended participants declined to sign. Quinsam was forced to seek the protection under CCAA and had to scale back its operation to two shifts of approximately 35 people. By year end, the company was actively soliciting potential investors and was confident it would be successful in making an acceptable proposal to its creditors in the new year.

Simpcw Development Co. Ltd.

Simpcw Development Co. Ltd. (Simpcw) operates a primary sawmill on the North Thompson Indian Band Reserve, located 15 km north of Barriere. It employs approximately 16 people. On October 24, 1997, an Economic Plan was approved to assist the company in restructuring its finances, following the depletion of its cash resources. A major element of the Plan was the deferral of payments on overdue stumpage with payments spread over two years. Simpcw had anticipated that it would receive 53,000 m^3 from the Ministry of Forests in a partition cut in the Kamloops Timber Supply Area. Only a portion of the expected wood was awarded. Eventually, Ministry of Forests was able to allocate other fibre to bring the volume up to Simpcw's operational requirement level. In the interim, Simpcw did not have the cash flow to service the stumpage payments as outlined in the Economic Plan. Funds held by Ministry of Forests as deposits on timber sales were applied to the overdue stumpage account, although they were insufficient to maintain payments as required by the Plan. The company had hoped to use these deposit funds as working capital, since it was unable to secure a line of credit from its bank. Ministry of Forests continued to press for payments.

Simpcw then entered into a long term contract with Weyerhaeuser to custom cut their logs, which would provide the company with some stability. In 1999, the JPC was asked to revise the Economic Plan of October 1997, given the current developments. A consultant, Nicholas Crisp & Associates was engaged to perform a viability assessment of the operation and help develop a new Economic Plan. At year end the JPC was working with the company to develop that plan.

Sound Structures & Supply Ltd.

This company is situated in Christina Lake, employing 12 people in pallet manufacturing and pallet repair. The firm approached the JPC in March 1999 as it was encountering financial difficulties.

A consultant, Triwest Consulting, was engaged to conduct an operational and financial viability review of the operation. The review was completed in late April with numerous recommendations that the operators needed to implement. The consultant continued to work with the company and at year end, prospects for the continued operation of the business were greater. No further involvement by the JPC was foreseen.

Synergy Pacific Wood Solutions Inc.

Synergy Pacific Wood Solutions Inc. is located in Spallumcheen and employs 80 people. The company was established by a local group to manufacture a type of laminated post, utilizing profiled and interlocked undersized lumber. The group was exploring the possibility of acquiring the Milestone remanufacturing facility in Armstrong for this purpose, and enquiries were made regarding Provincial assistance in the purchase from a receiver (the Province was a major unpaid creditor).

A consultant, R.E. Taylor & Associates Ltd., was engaged to assist the group with its plans. A deposit was made to secure the facility, and by year end financing was being arranged to meet the expected start up needs.

Takla Development Corp.

Takla Development Corp. is owned by the Takla Lake First Nation (TLFN) and operates an eight year 80,000 m^3/year nonreplaceable licence in the north end of the Prince George TSA. It employs 22 people. The intention of the licence was to provide economic opportunities for the TLFN members and to improve social conditions on the remote reserve located on Takla Lake approximately 200 km northwest of Fort St. James. The licence expires in 2004. In 1999, the combination of low log prices and an increase in stumpage rates made their timber uneconomical to harvest. A consultant, Steve Potter, was engaged, however the report did not adequately address the financial problems that the company was facing and a second review will likely be required before the JPC can make recommendations to stakeholders.

Telegraph Cove Resorts Ltd.

This long established fishing resort is located in Telegraph Cove and employs 80 people. The resort entered into an expansion program in 1998. Illness, an overrun on the construction and a closure of sports fishing resulted in a serious cash position at the beginning of the 1999 season. Inntegrated Hospitality Management was retained to provide an assessment of the company's situation. Because of the importance of the operation to the tourist industry in Northern Vancouver Island, confirmation of support was forthcoming from the Ministry of Small Business, Tourism and Culture. The cooperation of the chartered bank and other major creditors was sought and an Economic Plan was prepared which would provide for continuous operations.

Most of the components of the proposed Economic Plan were being undertaken on an informal basis. However, the Economic Plan was not formally brought into effect as the principals were negotiating ways of raising funding against their personal investments. The proposed cash investment and long term debt restructuring, along with the eventual formalization of the Economic Plan, would provide not only for the short term continuation of the operation, but also for the gradual upgrading/expansion of the facilities to assure the ability to operate for many more years.

The United Group of Companies

The United Group represents a major component of the B.C. auto recycling industry, with approximately 60 trained employees. It is located in Surrey.

A comfortable level of profitability was recorded until 1996, when attention was directed, under the guidance of a consultant, to completion of a land consolidation package. This diverted management's efforts from the profitable core business, and also resulted in acquisition of some surplus peripheral properties. The resulting debt burden was more than could be supported under the term of the financing available, and foreclosure proceedings were commenced. At that point the JPC was contacted.

Near year end, the operation sought protection under CCAA, and inventory was being replenished with court protected Purchase Money Security Interest (PMSI) financing. Careful late model purchases plus aggressive selling by the experienced staff was reported to be generating a reasonable level of profits. Refinancing and/or sale and lease back of the areas needed by the operation were being pursued. The JPC was advised as the situation evolved.

Zeidler Forest Products Ltd.

Zeidler Forest Industries Ltd. is located in McBride, and manufactures plywood veneer for the company's Edmonton Plant. The plant employs approximately 92 workers. The McBride facility was originally constructed in 1966 and operated under the name of McBride Plywood Ltd. The purpose of the facility was to provide a steady veneer supply for the Edmonton, Alberta plywood plant. Throughout the late 1960's and 1970's, the company purchased additional harvesting rights from smaller operators, and in 1980 McBride Plywood was amalgamated with Zeidler Forest Industries Ltd. with R. J. Elliott as President. The company holds two forest licences in the Robson Valley with an Annual Allowable Cut (AAC) of 236,428 m^3.

In 1999, the company reported to have incurred substantial losses in the past two fiscal years from its McBride operations. Before a review of operations could be completed by the consultant, Lucien Lieberman, to determine long term viability, the company was sold to West Fraser Timber. The McBride mill was immediately put up for sale. A group of employees attempted to acquire the mill, but were unable to raise sufficient investment. By year end, the JPC was working with another potential buyer to ensure the continued operation of the mill at McBride.

STRATEGIC INDUSTRIES

The following strategic industries, based on the cited Standard Industrial Classification (SIC), have been designated by the Lieutenant Governor in Council pursuant to Section 4 of the *Job Protection Act*.

SIC 0311 - Salt Water Fishing Industry

SIC 0312 - Inland Fishing Industry

SIC 0321 - Services Incidental to Fishing

SIC Major Group 04 - Logging Industry

SIC Major Group 06 - Mining Industries

SIC 1021 - Fish Products Industry

SIC 1991 - Other Textile Products Industries

SIC Major Group 25 - Wood Industries

SIC Major Group 27 - Paper and Allied Products Industries

SIC 295 - Non-Ferrous Metal Smelting and Refining Industries

SIC 302 - Fabricated Structural Metal Products Industries

SIC 324 - Truck and Bus Body and Trailer Industries

SIC 327 - Shipbuilding and Repair Industry

SIC 3281 - Boatbuilding and Repair Industry

SIC 5215 - Fish and Seafood, Wholesale

ACTS AND CHARTERS

The *Job Protection Act* affects the 22 provincial Acts and Charters. Through the use of Economic Plans and Mediation Plans it provides both for possible changes in the timing and amount of imposts under the provisions of some, and special measures pursuant to matters involving others of the following Acts and Charters:

- *B.C. Railway Act*
- *B.C. Transit Act*
- *Economic Development Electricity Rate Act*
- *Employee Investment Act*
- *Forest Act*
- *Hydro and Power Authority Act*
- *Industrial Development Incentive Act*
- *Islands Trust Act*
- *Land Act*
- *Mineral Tax Act*
- *Mineral Tenure Act*
- *Mining Tax Act*
- *Municipal Act*
- *Power For Jobs Development Act*
- *Property Transfer Tax Act*
- *School Act*
- *Small Business Venture Capital Act*
- *Taxation (Rural Area) Act*
- *Utilities Commission Act*
- *Vancouver Charter*
- *Water Act*
- *Workers Compensation Act*

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